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U.S. Shies Away From a Decision On War in Gulf

By David Hoffman

Washington Post Service

WASHINGTON — The Bush administration is planning a series of diplomatic initiatives, including UN resolutions designed to pressure Iraq, to refocus international attention on the campaign against Saddam Hussein while delaying a decision on a military offensive, officials say.

President George Bush and his policy advisers believe that even a war of short duration would be highly costly in terms of American casualties and that political support at home could be rapidly depleted, the officials said.

Although many allied nations are urging a decision soon about whether to go on the offensive, senior policymakers said that without provocation from Mr. Hussein, Mr. Bush does not want to be rushed into a decision about war.

"We've gone beyond all the bluster and bluff that we'll just go beat Iraq into the dust," a State Department official said. "You have men who think of war and death and

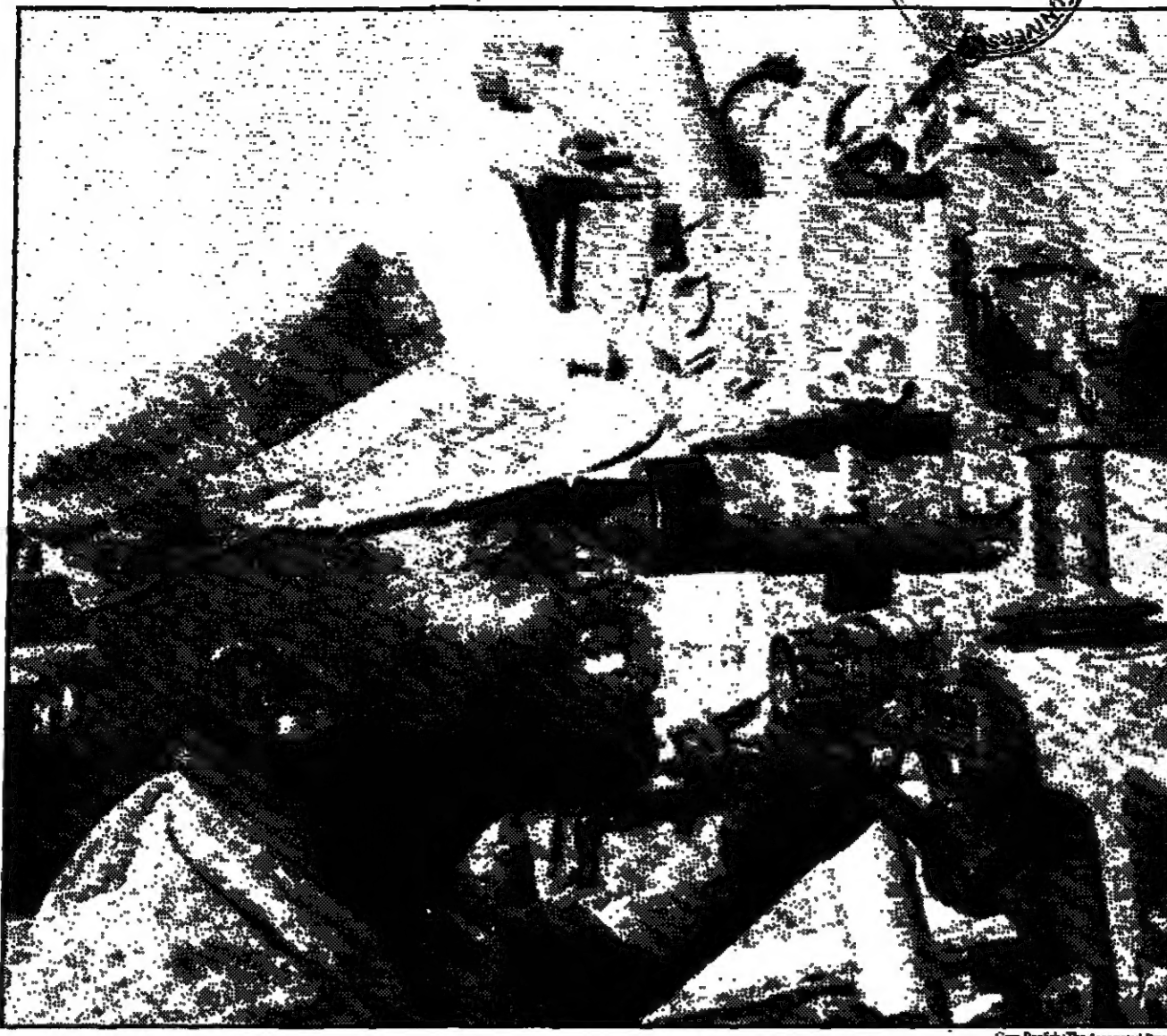
casualties and the human factor. Nobody is rushing to draw the gun. If they were, they are not now."

But the officials acknowledged that they face mounting difficulties in keeping together the international anti-Iraq coalition, especially as other events, such as the bloody clash last week between Israeli police and Palestinian demonstrators in Jerusalem, divert attention.

The subsequent four-day UN Security Council debate over a resolution condemning Iraq was enormously frustrating for administration officials, who feared that it could erode the global campaign against Mr. Hussein.

The next step is expected to be a proposed resolution condemning the destruction of Kuwait and calling for reparations for damage since the Iraqi invasion on Aug. 2, as Prime Minister Margaret Thatcher of Britain has urged. Mr. Bush said last week that his patience was "wearing thin" at reports of the dismantling of Kuwait and the torture and killing of its people.

"We will go back to the Security Council soon," an administration official said. John H. Sununu, Mr. Bush's chief of staff, said in a televised interview Sunday that White



A U.S. Marine adjusting the sights on a 55mm howitzer Sunday on the tank landing ship La Moure County during a Gulf exercise.

Israel Rejects A UN Mission To Investigate Police Killings

By Jackson Diehl

Washington Post Service

JERUSALEM — The government of Prime Minister Yitzhak Shamir decided Sunday not to accept a United Nations mission to investigate clashes between the police and Palestinians here last week.

A UN Security Council resolution, adopted Friday, expressed alarm at the Oct. 8 violence and endorsed a plan by Secretary General Javier Pérez de Cuellar to send a fact-finding team.

But Foreign Minister David Levy said the cabinet had "unanimously rejected the decision" of the council, which condemned the Israeli police for killing at least 19 Palestinians and wounding 140 while suppressing riots Oct. 8 on the Old City's Temple Mount, known to Muslims as Haram as Sharif.

Israel said Palestinians attacked the police and threw stones at Jewish worshippers at the nearby Western Wall, Judaism's holiest site.

Government officials did not say the mission would be turned away, but a ministry spokesman said, "We don't want them to come, we don't welcome them and therefore we don't expect them to come."

Officials conceded that Sunday's decision could lead to a confrontation with the Bush administration, which regarded the UN resolution as a diplomatic victory because it excluded harsher language and measures against Israel advocated by the Palestine Liberation Organization.

But they said that Israel had been infuriated by what it saw as an infringement by the UN on its claim to sovereignty in Jerusalem as well as by the resolution's language.

"Our relations with the United

States are very important, but we should not accept and we should not ignore the sorrowful fact that the U.S. administration has made a mistake, that the United States followed this coalition it formed against Saddam Hussein," Mr. Levy said on Israeli radio. "By surrendering to this decision it has made a linkage between what is happening in the Gulf and the Israeli-Arab conflict."

Official sources said the cabinet's decision overruled a recommendation by Israel's own UN delegation that the mission be accepted.

Rightist politicians in the government, which was formed by Mr. Shamir in June and holds a two-seat parliamentary majority, demanded that the UN investigation be rejected. But officials said the government's move was not forced by those politicians, but reflected widespread anger in Israel over the UN move.

"We are indignant over the blatant one-sidedness of a resolution that completely disregarded our position and the violence against our holy places," said the director of the Government Press Office. "We were already put in the dock and convicted by the Security Council, and now they want to investigate us. It's too much."

It remained unclear what Israel would do if Mr. Pérez de Cuellar persisted in an investigation effort, or the delegation might be allowed in, but that government officials would not speak to it. Foreign Ministry officials, pointing to past instances in which Israel has deflected UN envoys, contended that Israel's repudiation of the investi-

See ISRAEL, Page 2

Kohl's Party Scores Solid Victory as Germans Vote in East

By John Tagliabue

New York Times Service

BERLIN — Voters electing legislatures in the regions of what used to be East Germany on Sunday handed the Christian Democratic Union of Chancellor Helmut Kohl a resounding political victory.

Computer projections released after the polls closed showed the Christian Democrats leading substantially in four of the five states, which were carved out of East Germany and became part of unified Germany on Oct. 3.

The success was a clear endorsement of the policies of Mr. Kohl, who is riding a year-long wave of political success, and gave strong indications of how the east, and possibly the nation, will vote Dec. 2 in the first all-German elections since 1933.

In Saxony, whose 5 million people make it the most populous of the five states, Mr. Kohl's followers had

their most resounding victory, seizing an absolute majority of 53.4 percent of the vote.

The Christian Democrats also were far ahead in Saxony-Anhalt, Thuringia and Mecklenburg-Vorpommern.

Only in Brandenburg did Mr. Kohl's party fail to gain the largest share of the vote, placing second with 29 percent. The Social Democrats, led by the popular church lawyer, Manfred Stolpe, had 39.5 percent.

Mr. Kohl was jubilant. In a nationally televised panel discussion of party leaders, the chancellor called the results "good for the practical work in Bonn."

The outcome in the east will likely give Mr. Kohl's supporters a slim majority of 35 to 33 in the Bundestag, the upper legislative chamber, which will be enlarged by deputies from the new eastern states. The majority will afford Mr. Kohl stronger control of government.

Oskar Lafontaine, who will lead the Social Demo-

crats against Mr. Kohl in December, judged his party's chances optimistically despite Sunday's dismal results. "In seven weeks everything can look completely different," he said.

Lothar de Maizière, a Christian Democrat and the last prime minister of East Germany, called the victory "a final farewell to the centralism" of the formerly Communist-ruled east.

The Christian Democrats swept heavily industrialized regions in the south of what used to be East Germany. Some analysts had expected that a collapsing industrial infrastructure might have drawn workers to vote for leftist parties pledged to defend workers' rights.

But analyses of voter behavior done by a survey organization showed that the Christian Democrats received 48.5 percent of the vote in the heavily industrialized regions, compared to 21.7 percent for the Social Democrats.

In farming regions, according to the same analysis, the Christian Democrats received 47.7 percent of the vote, to 26 percent for the Social Democrats.

State elections also were held Sunday in Bavaria, in what had been West Germany, where the Christian Social Union, the Bavarian sister party of the Christian Democrats, reasserted its traditional control of the state, taking 54.7 percent of the vote.

Mr. Kohl said one troublesome outcome of the voting was the continued strong performance of the former Communist Party. The party's successor organization, the Party of Democratic Socialism, lost heavily in some areas but maintained about 15 percent of the vote throughout the east.

■ Schäuble Off Respirator

Interior Minister Wolfgang Schäuble was conscious

See GERMANY, Page 2

Kiosk Voters Boycott Hungary Poll

BUDAPEST (Reuters)

— Hungarians boycotted local government elections on Sunday to show their discontent with soaring inflation and the shortcomings of post-Communist democracy.

Election officials said that just over a quarter of the 7.8 million voters turned out for the second round of the balloting for town, county and village councils. Forty percent voted in the first round Sept. 30.

MONDAY Q&A



William H. Taft 4th, who emphasized NATO's role in the Western response to the Gulf crisis. Page 2.

Business / Finance

The United States will propose a compromise plan to cut world farm subsidies. Page 13.

Crossword Page 6.

Good News for Saudis: Even Larger Oil Reserves

By Thomas W. Lippman

Washington Post Service

JIDDA — Saudi Arabia, already the world's biggest oil exporter, has discovered extensive new reserves of high-quality crude oil in areas of the country not previously explored.

The Saudi government has been cautious about the overall size of the discoveries, but there are indications that they could increase the country's official reserves by 20 percent.

The exploration program under which the new oil was found began more than a year before Iraq's inva-

sion of Kuwait on Aug. 2. But Saudi officials appeared especially eager to talk about the discoveries now, in the midst of the Gulf crisis, because they will signal the world oil market that supplies of oil in the Gulf are plentiful for the time being.

Unless all the early indications are wrong, the discoveries will assure Saudi Arabia of being able to pump oil at its present rate or more well into the 22nd century, long after some of the other oil states have gone dry.

"We have a significant finding of high-quality crude," said Naser Ajmi, executive vice president of

Saudi Aramco, the state-owned oil company.

He said that in addition to the newly discovered fields in the central part of the country, Saudi Aramco had drilled successful wells in the trackless "empty quarter" of the southeast that are not being tapped because they are too far from any pipeline.

Within a year or so, he said, exploration crews will begin work in the Red Sea, also virgin territory considered promising by Saudi Aramco geologists.

In an interview Sunday, Petroleum Minister Hisham Nazer said Saudi Aramco had not yet devel-

oped a firm estimate of the total size of the new fields.

"We can only say we have discovered oil," he said. "The extent we will talk about later."

But Mr. Nazer said that "we haven't withdrawn" an estimate issued by Saudi Aramco more than a year ago putting the country's potential reserves from all areas at 315 billion barrels. That would be almost 60 billion barrels more than the current official reserve figure.

Oil economists in the United States have minimized the importance of the discoveries because Saudi Arabia already has 257.5 billion barrels of proven reserves, 2.5

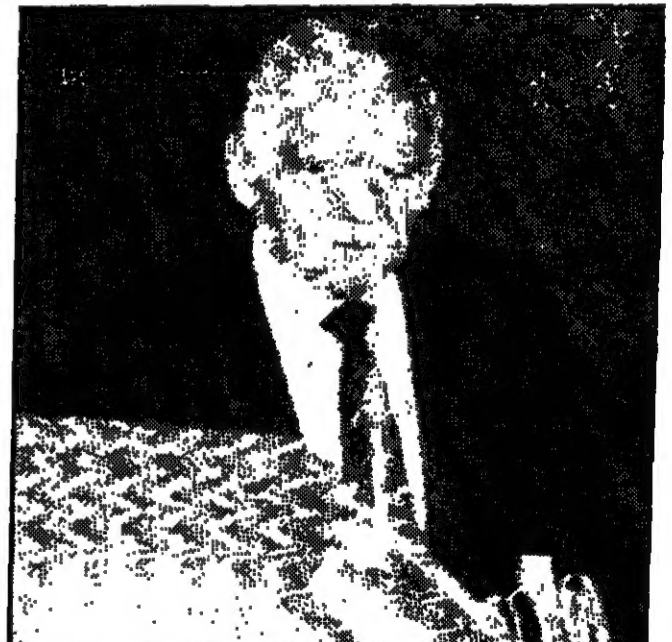
times as much as the next biggest oil country, Iraq, and 10 times the reserves of the United States.

"It's like finding more water in the ocean," one said.

But Saudi officials take a different view. To them, the new fields provide a guarantee of prosperity and international influence.

The country's long-term planning is based on developing a relationship of mutual dependence with its customers.

The more oil Saudi Arabia has, the more it can influence the market and the longer it can keep its customers from getting nervous about their supplies.



Yitzhak Shamir on Sunday, after Israel announced its refusal to receive a UN team to investigate the killings Oct. 8 in Jerusalem.

3 Reminders of Mideast Chaos

By Jim Hoagland

Washington Post Service

PARIS — The spasms of violence that wracked Israel, Lebanon and Egypt last week have reshaped the political contours of the volatile Middle East, a region to which the United States and its allies have committed nearly a quarter of a million troops in a quest for stability and order.

The killing of Palestinian protesters on the Temple Mount, the crushing of General Michel Aoun's rebellion by Syrian-backed forces in Beirut and a political assassination in Cairo were distinct events.

But their juxtaposition served to remind the world that the Middle East's political order remains dangerously unsettled and that its long-festering crises have not subsided while attention has been riveted on Iraq's invasion of Kuwait.

The week's events will reverberate across the region and the world. For some, they will underline the need to seek a peaceful resolution of the Gulf crisis; others

will be persuaded anew that the region's endemic instability and vulnerability to terrorism will undermine the U.S. strategy to force Iraq out of Kuwait unless military action is taken quickly.

The events in Jerusalem, Beirut and Cairo are also likely to expand that debate to encompass questions about how much the West can do to affect events in a quest for stability and order.

NEWS ANALYSIS

region where its influence has been shrinking for two decades and how strong the U.S. commitment to Israel will remain in a Middle East convulsed by change and conflict.

"Iraq's invasion of Kuwait was the first step in the ending of the post-Ottoman syndrome in the Middle East," an Arab businessman said in London. "The borders and political structure that took form after the collapse of the Ottoman Empire at the end of World

See CRISES, Page 7

A Year Later, San Francisco Still Quakes

By Jane Gross

New York Times Service

SAN FRANCISCO — This is earthquake weather, the air warm and still.

Once this buttery fall sunshine made Northern Californians gloat. Now it is an occasion for dread because on just such a day, a year ago next Wednesday, these unstable shores did what they had always promised to do.

What had been abstract before that bright afternoon is now real to the 6 million people who live in the region, a glimpse of tragedy of unimaginable dimensions.

"It's never far from my mind," said Robert Maynard, a civic leader and the publisher of The Tribune in Oakland, who looks from his window at buildings still in ruin and remem-

bers the cloud of dust that filled the air. "I am never unmindful of the fact that in one split second this terrible thing can happen," he continued.

The 1906 earthquake, more calamitous than last year's, is said to shape the Bay Area's consciousness. But 1906 is a black-and-white movie, Jeanette MacDonald tripping bravely through the rubble.

The quake of Oct. 17, 1989, is palpable to anyone who heard the earth grind and saw the crushed cars, the flames and the toppled houses, marked "Searched" in red paint.

Denial is thus harder now for the optimists who make their homes atop the fault lines, stacking gabled houses up the hillside and building daring bridges across the San Francisco Bay.

These days, San Franciscans startle if a tea

cup rattles in its saucer or a wide-eyed kitten darts across the floor.

When a spotlight turns red beneath an underpass, drivers hang back, reluctant to pause where concrete might fall.

And crossing the Bay Bridge, patched and lumpy where a section hinged down to the water, motorists mumble incantations about what was and what might have been.

"There's a trigger-quick readiness to think something terrible is about to happen again," said Jane Burka, a Berkeley psychologist. "In everybody, there's an anxiety that wasn't there before."

Even California natives, whose earthquake savoir-faire is a badge of honor, have changed since the Pretty Big One, as last year's quake.

See QUAKE, Page 2

Battered Dollar: Another Plunge Ahead?

By Carl Gewirtz

International Herald Tribune

PARIS — Analysts are warning of a winter of turmoil in the foreign exchange market. They see a looming crisis of confidence in the dollar, sparked by the political impasse in Washington to reduce the federal deficit, that would send the dollar spiraling to record lows.

"The fiscal policy paralysis in Washington threatens to trigger a crisis of confidence in the dollar as severe as the one during the administration of President Jimmy Carter," said Paul Chertkow, chief currency strategist for Citibank in London.

David D. Hale, an analyst for Kemper Financial Services in Chicago, sees "a growing danger that

international investors will sell dollars because of perceptions that the U.S. political system is caught in chronic paralysis."

Mr. Hale, speaking of the Federal Reserve Board, said, "Such per-

Bush's chief of staff predicts another shutdown of some government operations. Page 2.

ceptions will lessen the Fed's freedom of action in deciding when to lower interest rates and thus increase the risk of a worse recession next year."

In his view, a sharp fall of the dollar could upset the bond market — by driving interest rates higher — as well as the stock market because high rates and slow growth would eat into corporate profits.

John Lipsky, an analyst for Salomon Brothers in London, concurs about the damage to confidence resulting from the "indirection on budget policy," but cautions that even a speedy agreement on the budget "may not represent a solution to the dollar's weakness."

He sees the beginning of an international policy conflict — not unlike the one that preceded the October 1987 worldwide crash in stock prices.

"The only anchor in our current tri-centric monetary system," he said, "is the perception of policy cooperation and consistency among the three major monetary authorities. When that perception breaks down, as it did in 1987, the system no longer has an anchor."

Mr. Lipsky explained that since the Group of Seven's 1985 Plaza agreement, policy has been aimed at reducing imbalance in international payments. The goal has been to speed demand in the surplus countries, Japan and Germany, without causing inflation and to restrain demand in the United States without causing recession.

While the current desynchronized business cycles have further helped reduce imbalances, Mr. Lipsky stressed that "at the margin, policy is now working at cross purposes."

"Policy in the surplus countries is now aimed at restraining demand to reduce inflationary pressures," he said, "whereas in the United

See DOLLAR, Page 15

U.S. Envoy Tells Why NATO's Gulf Contribution Is Crucial

Debate about NATO's future has been submerged by the military emergency in the Gulf. William H. Taft 4th, the U.S. ambassador to the North Atlantic Treaty Organization, talked to Joseph Fichet of the International Herald Tribune about the impact of the crisis on the Western alliance.

Q. Has NATO made a difference in the Western intervention in the Gulf and Saudi Arabia?

A. It just wouldn't have been possible without NATO arrangements, mainly because of the logistical base that the alliance affords. Rushing a squadron of U.S. F-15s from the Netherlands does not represent what is important about the NATO contribution — the planes could have come from somewhere else. What we could not have done without NATO was get forces — ours and allies' — to the Gulf with their supplies.

The movement from the United States and elsewhere was possible because of the facilities of allied shipping and air bases such as Torajon in Spain, Rhein-Main and Ramstein in West Germany, Lajes in Portugal, Incirlik in Turkey.

When a C-5 lands with helicopters or tanks, that base has seen it all before and knows how to handle it efficiently.

Equally important, NATO has been a forum for what all the allies' policies should be in meeting this aggression, and we have reached agreement consistently.

MONDAY Q&A

And much of the work of coordinating nations' military contributions has taken place in alliance meetings.

Q. What forces have been diverted from NATO?

A. Not vast amounts. The U.S. shifted mainly air power — F-15s, F-16s and A-10s. Troops from the British Army of the Rhine and aircraft. Some Italian warplanes. French forces, of course, did not come from NATO's integrated forces. Some movements inside the alliance have met the threat to Turkey, with troops there and others ready to deploy. The AWACs airborne radar control planes in Turkey looking southward belong to NATO while U.S. and Saudi AWACs are in the Gulf looking north. Smaller items

include anti-chemical warfare equipment, field hospitals.

Q. How have the allies done?

A. The European performance has been better than a number of people in the United States are aware of. It has not been as good as it could be. They are going to have to do more. The proportion of forces in the Gulf — 180,000 Americans and about 20,000 Europeans, counting those who are coming — does not adequately reflect Europe's stake.

Polls show many Europeans supporting the deployment of U.S., British and French forces in the Gulf to protect, among other things, European interests — while opposing the use of their own troops there. The double standard at work is opportunistic at best. It would require an extra effort to take seriously the claims of such people to participate in decisions about the use of these forces on the ground, should that ever become necessary.

Q. Will the crisis change NATO?

A. I would draw two lessons. It's very important for the alliance to reach solid positions in crises like this one. Secondly,

we do have a lot of institutional assets — air bases, systems of military integration, the AWACs group — that are invaluable in other contexts. We used them this time and we can use them again.

I would hope that later we should look back on what the contribution of the alliance was and plan to use its positive points again. But other organizations have gained a great deal of credit and will be strengthened, too, notably the United Nations. And the Western European Union helped a number of governments participate.

Q. Will NATO broaden its treaty to cover Third World crises?

A. The treaty is not an obstacle to our interest in events that threaten our security wherever they occur. There is nothing in the treaty that prevents us from doing whatever we want to do. There are different views among the allies about what we may want to do in hypothetical circumstances.

The main task of NATO in Europe in the future, as in the past, will be continued maintenance of a balance with the Soviet Union. This will be pursued in an era, we hope, of cooperation. But it will

be important to have that balance. A key challenge for policymakers this year will be to ensure that the Soviet Union enters into this kind of partnership with NATO.

Q. Apparently a treaty cutting conventional forces in Europe will be ready for signing next month, but problems remain about allocating the weapons left on each side.

A. Among the NATO allies, we are working out a system called "cascading" that means that newer tanks and other equipment from countries such as the United States, Britain and Germany will replace other allies' older equipment, which will then be destroyed.

The idea is that we are left with the most modern force, instead of scrapping our best. So, for example, countries such as Turkey, Greece and Portugal will be modernizing their conventional forces. It's a sensible plan, especially since under the treaty we could not take staff home.

Q. Despite the treaty, the Soviet Union is pulling back some tanks instead of destroying them. Does it worry you?

A. Not at this stage. It's something we watch. But we think we understand why they are doing it.

Sununu Predicts New Budget Shutdown

By Paul F. Horvitz

WASHINGTON — President George Bush remained aloof from the federal budget dispute on Sunday as his chief of staff, John H. Sununu, predicted that Congress would fail to meet a Friday deadline to avert another shutdown of some government operations.

Divergent deficit-reduction plans emerged from House and Senate committees over the weekend, and efforts at compromise were expected this week amid renewed partisan sniping.

The House plan calls for an increase in tax rates for the wealthy and contains no gasoline tax increase. The Senate plan, adopted with Republican votes, would tax rich Americans by limiting deductions and envisions a 9.5-cent-a-gallon rise in the gasoline tax. The

White House prefers the Senate bill.

In television interviews Sunday, officials sought to avoid blame for the delay and confusion that has sharply lowered public esteem for Mr. Bush and Congress as they attempt to cut the deficit by \$500 billion over the next five years.

Despite mixed signals from the White House last week on the acceptability of higher tax rates, Mr. Sununu said Sunday that the Democratic-controlled Congress was solely responsible for any appearance of budgetary chaos.

"The problem has always been the problem of Congress being able to muster the political will," he said.

Vice President Dan Quayle, appearing separately, said, "We don't want to blame anyone. We just want to point out a few facts to the

American people, that the Democrats control the Congress."

Meanwhile, the two chief congressional budget makers, Representative Dan Rostenkowski of Illinois and Senator Lloyd Bentsen of Texas, both Democrats, criticized the Republicans and the president.

"One can see that Democrats are for people sharing the load and the pain of paying taxes," said Mr. Rostenkowski, the chairman of the House Ways and Means Committee. Republicans, he contended, "are for allowing people to make more money without paying taxes on that."

Mr. Bentsen, the chairman of the Senate Finance Committee, said he had tried to gain White House approval for an increase in the maximum tax rate to 33 percent, from 28 percent.

"We could not get the president to agree, and he changed his mind

several times," he said. "I'm not sure he stands today, frankly."

He said it was a "puzzle" that Mr. Bush could mobilize an international coalition against Iraq but "has not been able to bring together the Republicans in the Congress."

If a deal is not struck before midnight Friday, a temporary federal spending plan will expire and a partial government shutdown will ensue. As he did on Oct. 5, Mr. Bush is expected to veto an emergency spending bill in the absence of a budget agreement.

Asked about the chance of a shutdown, Mr. Sununu responded, "Probably relatively high. That conference committee will have difficulty completing its work by midnight Friday."

Mr. Rostenkowski, however, said an agreement was likely.



DAYLIGHT BREAKS IN — A 12-year-old girl and her sister emerging from an underground shelter in Beirut on Sunday after a Lebanese-Syrian assault had led to the surrender of General Aoun.

GERMANY: Kohl's Party Scores Big Victory in East

(Continued from page 1)

Sunday, two days after he was shot, but doctors said his condition remained grave, news agencies reported from Freiburg, Germany.

Mr. Schäuble, one of Mr. Kohl's closest aides, was struck by two bullets at a campaign appearance late Friday in the town of Offenbach.

A statement issued by doctors treating Mr. Schäuble at the University Hospital in Freiburg said he was taken off a respirator and was breathing on his own.

But the statement said there was no improvement in his nervous system functions. Witnesses heard Mr. Schäuble say immediately after the shooting that he was unable to feel his feet.

One bullet injured Mr. Schäuble's spinal column and the other struck the right side of his face. Doctors said the facial wound would require another operation.

Mr. Schäuble underwent five hours of surgery Sunday to remove the bullet near his spine.

An unemployed man was arrested immediately after the assassina-

tion attempt. Authorities identified him as Dieter Kaubmann, 37, and said he had a history of mental disorders and drug addiction.

Mr. Kohl was close to tears on Saturday when he visited the bedside of Mr. Schäuble, who has been seen as a possible future chancellor. The interior minister negotiated terms of the treaty that led to German unification on Oct. 3.

"I have great faith in medical science, but this is a time when one learns to pray," Mr. Kohl said. "With such a serious injury the question of recovery is still open."

Mr. Kaubmann, who lived with his parents, told authorities he believed he was being persecuted by the German government, and had planned the shooting for six months. In 1983, Mr. Kaubmann was convicted on drug charges and served three years in prison.

The police said Mr. Kaubmann watched Mr. Schäuble deliver a speech on German unity to about 300 people at a tavern, followed the politician and then jumped past Mr. Schäuble's two bodyguards, firing at least three shots. One of

the bullets slightly wounded a bodyguard in the stomach.

The shooting of Mr. Schäuble — the fourth attack against a major German figure in less than a year — raised questions about the protection provided the country's political and business leaders.

In April, Mr. Lafontaine was stabbed in the neck by a disturbed woman who approached him at a speaking appearance.

The far-left Red Army Faction has claimed responsibility for two other attacks in the past 12 months, a car bomb that killed Alfred Herrhausen, chairman of Deutsche Bank, and another that slightly injured Mr. Schäuble's top anti-terrorism expert, Hans Neusel.

(AP, Reuters, WP)

Czechoslovak-Qatar Link

Reuters

NICOSIA — The Gulf state of Qatar established diplomatic relations with Czechoslovakia on Sunday, two days after Bahrain took the same step.

ISRAEL: Mission Rejected

(Continued from page 1)

gation should cause Mr. Pérez de Cuellar to cancel it.

"We saw what we said and now we'll see how the UN responds," a senior official said. "The next move is for the UN to make it."

Officials said Israel's opposition to the mission was particularly strong because of its intention to investigate an incident in East Jerusalem, which Israel annexed following its capture from Jordan in 1967. Officials said Mr. Shamir and senior ministers believed that by accepting an international investigation in Jerusalem, Israel would be compromising its claim to sovereignty over the city, which is not recognized by the UN or any foreign government.

The UN resolution does not spell out that the mission should investigate, speaking only of "a mission to the region." But statements made concurrently with the resolution by the Security Council chairman and by U.S. sources made it clear that it should investigate the violence on the Temple Mount.

In Israel's view, a Foreign Ministry official said, a UN investigation of a riot in Jerusalem would be equivalent to an international investigation of riots in a U.S. city. "It's a matter of sovereignty," he said. "Jerusalem is the capital of Israel, and so only Israel can be responsible for security in the city."

Israeli officials said they were also incensed by the language of the resolution, which referred to the Temple Mount solely by the Muslim designation, Haram al-Sharif, and did not specifically mention the adjacent Western Wall or the stoning there of Jewish worshippers by Palestinian demonstrators. They also objected to language describing Israel as an "occupying power" in Jerusalem, which they said could be interpreted as a rejection of Israel's claim to the eastern half of the city.

France and Lebanon At Odds Over Aoun

Compiled by Our Staff From Dispatches

BEIRUT — Lebanon was locked Sunday in a diplomatic quarrel with France over asylum for Major General Michel Aoun after a Syrian-led assault crushed his 11-month mutiny in the Christian heartland.

General Aoun remained inside the French Embassy, where he fled during the attack Saturday and was granted asylum.

A five-minute air strike by Syrian aircraft began the assault by more than 10,000 tanked troops, including some 6,000 Syrians. They seized General Aoun's headquarters in six hours of fierce battles.

Lebanese officials are insisting that the 55-year-old general remain in the country for possible trial on charges that include the alleged theft of \$75 million dollars from the state treasury.

France, the traditional protector of Lebanon's Christians, granted General Aoun asylum. The French foreign minister, Roland Dumas, said, "We were talking with Lebanese and Syrian authorities to allow his departure in good condition."

The French ambassador, René Ala, met President Hrawi in Muslim West Beirut on Sunday to try to resolve the issue of General Aoun's asylum, a presidential spokesman said. Mr. Ala left after two hours without making a statement.

"France must pardon us for not swallowing its hasty decision to grant asylum to Aoun," said Nabih Berri, head of the Shiite Amal militia. "He should stand trial as a plain criminal, not a politician."

(AP, Reuters)

Abandoned by France

William Drossick of The Washington Post reported from Paris:

The collapse of General Aoun's mutiny was foreshadowed by the erosion of support for his cause in Lebanon, the traditional ally of the Lebanese Christian community that General Aoun claimed to represent, and the rise of Syria as a partner in the U.S.-led coalition arrayed against President Saddam Hussein of Iraq.

When he launched a rebellion last year from his Christian enclave, declaring that his goal was to regain sovereignty for Lebanon, General Aoun aroused strong emotional support not only among his followers at home but also from France and the Vatican.

But in the shifting sands of Lebanese political alliances, General Aoun found himself caught up in the sort of foreign manipulation he criticized in others. He and his breakaway Christian forces turned from Israel to Iraq for weapons, which had also been funneling arms to his Christian rivals, the Lebanese Forces led by Samir Geagea.

General Aoun's refusal to accept the Taif peace agreement, which was reached a year ago among Lebanese Christian and Muslim legislators meeting in Saudi Arabia and which could have led to a Syrian withdrawal, led to disillusionment with him even in his own camp.

When General Aoun's troops trained their firepower on Mr. Geagea's rival Christian Forces after months of deadly artillery battles with Syria, the French lost interest in his cause.

QUAKE: Fear in San Francisco

(Continued from page 1)

which registered 7.1 on the Richter scale, is known here.

"The little ones you don't take for granted anymore," said Lori Davis, a paramedic who was first on the scene of the collapsed freeway that claimed 42 of the 67 lives lost in the earthquake.

"You sit bolt upright in bed, holding your breath and wondering, 'Is this it?'"

Common among those who live here is a recurring sense of foreboding.

Judge Roderic Duncan, who ruled in Alameda County on the custody of an orphaned infant whose parents died in the collapse of the Nimitz Freeway, said:

"Sometimes, I'll be in the kitchen, looking out the window and, relevant to nothing, I'll get this little feeling. The thought just comes, 'Maybe it's about to happen.'"

For many people, the pinch of dread is accompanied by a vision of what they saw and felt at 5:04 p.m., a rush of sensation that fills the mind and swims behind the eyes.

For Ms. Burka, it is the sight of leaves rustling on a plant in her office. "If the wind is blowing, and out of the corner of my eye I see it, I have to stop," she said.

For Mr. Maynard, the vision is of dust, rising from the fallen masonry.

"In my mind's eye, it's always the same," he said. "Over and over, the dust. And the next sensation is the same, too. This incredible dread that someone, somewhere just died."

The subject of earthquake pre-

paredness is on everyone's mind here as the anniversary approaches.

Almost no one travels far without a flashlight and a transistor radio, which are considered talismans against the darkness and isolation that shrouded the city through that terrible night.

In neighborhoods like the Marina District, where the ground gave way and people were buried in their apartments, there has been a frenzy of house-bolting and reinforcing.

At the Oakland Coliseum, where the A's will play the Cincinnati Reds in the World Series, CBS-TV has trained its announcers in disaster response and installed a backup generator, so as not to be forced off the air as ABC was last year for a half hour.

A supplement to the Sunday newspaper a few weeks ago, "The Next Big Quake: Are You Prepared?" — was such a hit that the United States Geological Survey, which prepared it, hired temporary workers to fill mail orders.

But preparedness experts say most people have done only the cheapest and easiest things and are still pretending they are safe and sound.

"Human nature, even when confronted with disaster, is to deny and avoid," said Richard K. Eiser, the director of the Bay Area Regional Earthquake Preparedness Project.

"Mother nature did in 15 seconds more motivating than we've been able to do in seven years. We're still struggling to get people to acknowledge and take ownership of earthquakes."

WORLD BRIEFS

Soviets Act to Save Symbols of Power

MOSCOW (Reuters) — President Mikhail S. Gorbachev has ordered a stop to the removal of monuments honoring Lenin, the founder of the Soviet state, and other symbols of Soviet power, saying such acts violated national traditions.

Mr. Gorbachev issued a decree Saturday ordering the security forces to take additional measures to protect monuments to Lenin, the civil war World War II and the workers' movement. Acting under popular pressure, local authorities have taken down dozens of monuments to Lenin in recent months.

The decree appeared amid a raging debate on the previously unquestioned role of Lenin and the Bolsheviks who seized power in the October Revolution of 1917 — eight months after parliamentary democracy had replaced the monarchy.

Algerian Unions Protest Rising Costs

ALGIERS (AP) — Tens of thousands of Algerians demonstrated Sunday to protest the soaring cost of living.

The protest by trade unionists in Constantine in northeastern Algeria, the country's third-largest city, was almost exactly two years after rioting over economic conditions swept the nation. The protesters, who carried empty food baskets on their march, presented a list of grievances at government offices and in a letter to President Chadli Bendjedid, which included demands for lower food prices and job security.

Colonel Bendjedid introduced sweeping economic and political changes in Algeria after the riots in October 1988, in which scores of people were killed in clashes with army troops. But sales of Algeria's principal export, oil, have been unable to revitalize a stagnant economy, and unemployment is at 25 percent.

Court Upholds Bhutto Dismissal

LAHORE, Pakistan (AP) — A court has upheld the dismissal of Prime Minister Benazir Bhutto, ruling Sunday that corruption and mismanagement had impeded her government's ability to function.

Lawsuits filed by Miss Bhutto's supporters argued that President Ghulam Ishaq Khan overstepped his constitutional authority by abruptly dismissing her government on Aug. 6 on charges of corruption, nepotism and abuse of power.

The six-judge panel rejected the contentions. Miss Bhutto is expected to challenge the decision in the Supreme Court, and no final verdict is likely before elections Oct. 24.

Details of Loan to Jeb Bush Reported

NEW YORK (AP) — A savings and loan became insolvent after lending President George Bush's son Jeb and a partner about half the money toward the purchase of a \$9 million office building, and the federal government ended up repaying most of the loan, The New York Times reported Sunday.

The Miami deal involved Jeb Bush, 37, and his partner, Armando Codina, who in 1985 bought a building for \$9 million, using a \$4.5 million loan from Broward Federal Savings & Loan of Sunrise, Florida. Broward Federal became insolvent in 1988, and the federal government paid more than \$4 million to make good on the loan. Mr. Bush and Mr. Codina negotiated a settlement with regulators in which they repaid \$505,000 and retained control of the building, the paper said.

The report said that the loan arrangement involved no criminal behavior.

Thai Student Burns Self in Protest

BANGKOK (AP) — A 21-year-old university student poured gasoline over his head Sunday and set himself on fire after accusing the government of corruption and demanding its resignation, a witness said.

Tanawat Klongchue, a sophomore at Ramkhamhaeng University, was hospitalized with burns over 50 percent of his body, said Kosol Nakachon, a photographer who witnessed the incident.

Across town, the police turned out in force to halt a later demonstration by eight university students who threatened to set themselves on fire if the government did not resign. Mr. Kosol said Mr. Tanawat set himself ablaze shortly after criticizing the government for alleged corruption in a speech before about 400 students and other people on the road in front of the university.

Belgium Opens Rwanda Peace Talks

BRUSSELS (Reuters) — Belgium announced Sunday that it had opened talks with Rwanda on ways to end the fighting between Rwanda troops and rebels invading from Uganda.

The government was ready to help set up peace talks and, if necessary, to take a direct part in them, a Foreign Ministry statement said. Belgium, the former colonial power in Rwanda, was also considering how the United Nations could contribute to a lasting solution in the central African country.

On Saturday, the government advised Belgians living in northern Rwanda, where fighting continues, to leave for the capital, Kigali, under military escort. Six hundred Belgian paratroopers were sent to Rwanda last week to protect Belgian nationals.

7 Are Shot Down in Medellin Street

BOGOTA (Reuters) — Gunmen wearing military uniforms shot seven persons to death and wounded seven others in the first mass killing for several months in the Colombian drug center of Medellin, the police said Sunday.

The assailants, driving in two black jeeps, fired indiscriminately at a group of mainly young people standing in a street in a poor neighborhood Saturday night, the police said. Army uniforms are often used as a disguise by guerrillas and criminals.

TRAVEL UPDATE

Iran and the Soviet Union will open a passenger rail link between Tehran and Moscow next year, officials reported. The distance is about 2,500 kilometers (1,550 miles). (Reuters)

Protesters opposing a new route for France's high-speed trains halted rail traffic and clashed with the police on Sunday in southern France. Two protesters and one police officer were slightly injured, officials said, and some trains were forced to take detours. (UPI)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Argentina, Colombia, Fiji, Jamaica.

WEDNESDAY: Haiti, Malawi, Malaysia, Singapore, Sri Lanka.

THURSDAY: Fiji, India, Mauritius.

FRIDAY: Guatemala.

SATURDAY: Guatemala, Kenya.

SUNDAY: Honduras, Somalia.

Source: J.P. Morgan, Reuters.

WEATHER

EUROPE				ASIA				
	HIGH	LOW			HIGH	LOW		
Amsterdam	C 23	F 14	C 57	fr	Bangkok	C 32	F 21	to
Antwerp	22	12	56	fr	Beijing	28	18	fr
Berlin	22	12	55	fr	Hong Kong	28	20	fr
Bombay	30	22	55	fr	Manila	32	26	fr
Buenos Aires	20	10	55	fr	New Delhi	30	22	fr
Calcutta	30	22	55	fr	Seoul	28	20	fr
Cardiff	18	8	55	fr	Shanghai	28	20	fr
Chicago	20	10	55	fr	Singapore	30	22	fr
Cincinnati	20	10	55	fr	Tokyo	28	20	fr
Cleveland	20	10	55	fr				
Columbus	20	10	55	fr	AFRICA			
Dallas	20	10	55	fr	Algiers	28	18	fr
Detroit	20	10	55	fr	Cape Town	28	18	fr
Edinburgh	18	8	55	fr	Conakry	28	18	fr
Geneva	20	10	55	fr	Dakar	28	18	fr
Hamburg	20	10	55	fr	Harare	28	18	fr
Helsinki	18	8	55	fr	Leopoldville	28	18	fr
London	20	10	55	fr	Nairobi	28	18	fr
Los Angeles	20	10	55	fr	Tunis	28	18	fr
Madrid	20	10	55	fr				
Moscow	20	10	55	fr	LATIN AMERICA			
Munich	20	10	55	fr	Buenos Aires	22	12	fr
New York	20	10	55	fr	Lima	22	12	fr
Osaka	20	10	55	fr	Mexico City	22	12	fr
Paris	20	10	55	fr	Rio de Janeiro	22	12	fr
Philadelphia	20	10	55	fr				
Pittsburgh	20	10	55	fr	NORTH AMERICA			
Portland	20	10	55	fr	Anchorage	40	30	fr
San Francisco	20	10	55	fr	Atlanta	22	12	fr
Seattle	20	10	55	fr	Boston	22	12	fr
St. Louis	20	10	55	fr	Chicago	22	12	fr
Tampa	20	10	55	fr	Dallas	22	12	fr
Washington	20	10	55	fr	Detroit	22	12	fr
Wichita	20	10	55	fr	Harbor	22	12	fr
Yokohama	20	10	55	fr	Houston	22	12	fr
					Los Angeles	22	12	fr
					Memphis	22	12	fr
					Minneapolis	22	12	fr
					Montreal	22	12	fr
					New Orleans	22	12	fr
					New York	22	12	fr
					Philadelphia	22	12	fr
					San Francisco	22	12	fr
					Seattle	22	12	fr
					Washington	22	12	fr

AMERICAN TOPICS

Orbit Junk Is Threat To Research in Space

Unless international action is taken soon, low orbits around the earth could become so clogged with space junk by the turn of the century that they will be too dangerous for satellites and manned spacecraft, The New York Times reports.

The Congressional Office of Technology Assessment warned that unless space-faring countries reduce the orbital debris they generate, their space operations will suffer. The report said most space junk is made up of fragments from spacecraft that have broken up.

Also in orbit are paint flakes, spent rocket stages, abandoned nuclear reactors, inactive pay-

loads and debris from tests of space weapons.

Some experts say that 30,000 to 70,000 bits of debris at least one centimeter in diameter might already be orbiting Earth. A centimeter is about the size of an aspirin tablet.

A particle of aluminum that size traveling at 22,000 miles per hour (35,400 kilometers per hour) would strike a spacecraft with the energy of a 400-pound (180-kilogram) weight striking the ground at 60 miles per hour. The impact could be catastrophic.

The military now tracks 6,645 objects in space that are 10 centimeters in diameter — about the size of a softball — or larger.

Short Takes

Harvard was rated the best national university in the United States in U.S. News & World Report's annual college ratings, the first top ranking for Harvard since the magazine's first survey in 1983. Stanford placed second, followed by Yale, Princeton and

the California Institute of Technology. Amherst was rated first among liberal arts colleges, followed by Swarthmore, Williams, Bowdoin and Wellesley.

In Texas, Gail Waterfield, wife of a Republican congressional candidate, Dick Waterfield, was caught tearing down his rival's campaign posters from telephone poles. A Waterfield spokesman said with a straight face that such placing of posters is illegal because it impedes telephone lines. A spokesman for Mr. Waterfield's opponent, Representative Bill Sarapalus, said, "If you believe she was ripping them down because it was unsafe, I've got some property to sell to you."

An attempted jailbreak in Washington state was foiled when the two would-be escapees made such a racket that other prisoners complained to guards. The two burglary suspects were trying to chip through an eight-inch (20-centimeter) concrete wall at the Okanogan County Jail when they

woke up other prisoners at about midnight. Sheriff Jim Weed said that even if the men had been able to break through the outside wall, they would have found themselves 80 feet (about 24 meters) above the ground.

About People

The writer Calvin Trillin recalls that in school, "Math was my worst subject because I could never persuade the teacher that my answers were meant ironically."

Joe Sroba, agent for the San Francisco outfielder Kevin Mitchell, said after getting his client a four-year, \$15-million contract extension, "This deal indicates that major league baseball is healthy. Kevin Mitchell is healthy, Kevin Mitchell is healthy, and the Giants are wise."

A Marine General Of the Old School


"There will be no morale problems," General Alfred M. Gray

Jr., Marine Corps commandant, told his troops in the Gulf through a bullhorn late last month. Although beer, female companionship and organized entertainment are in short supply, the general added, "There will also be no boredom."

Amid widespread condemnation back in the States of such harsh language, Jack Swallows, a retired lieutenant colonel in the Marine Corps Reserve, said in a letter to the Los Angeles Times that General Gray was simply following a corps tradition of irony, like the commander of the 1st Marine Division in Korea who, when surrounded by 100,000 Chinese, said, "Now we have them just where we want them — we can attack in any direction."

Or the oft-quoted Marine officer in World War I who, trying his men onward, said, approximately, "Come on, you sons of sea cooks, do you want to live forever?"

Arthur Higbee



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'62 Officials Join Suit on Cuba Files

WASHINGTON — Nine former officials in the Kennedy administration have joined a legal challenge to the State Department's refusal to release nearly 700 documents pertaining to the 1962 Cuban missile crisis.

In affidavits filed in U.S. District Court in Washington, the Kennedy aides asserted that the department had failed to offer sufficient justification for withholding the documents from public scrutiny.

Much of the material was written by the nine former officials. They included George W. Ball, who was undersecretary of state during the crisis; Douglas Dillon, then Treasury secretary; and Theodore C. Sorensen, who was special counsel to the president.

The affidavits were filed last week in support of a motion brought by Philip Brenner, an associate professor of international relations at American University in Washington, who has asked the government to release the documents for use in his research on the missile crisis.

According to court papers, the documents refer to cablegrams and letters between President John F. Kennedy and Nikita S. Khrushchev, plans for American intelligence operations in Cuba and meetings of administration officials during the crisis.

In Guatemala, a Crackdown on Children

By Lindsey Gruson

GUATEMALA CITY — The marble tombstone erected here recently for Nahaman, Carmona López says more about his death than his short life: "I only wanted to be a child and they wouldn't let me."

The 13-year-old street urchin died in March after four policemen found him sniffing glue to mask his wracking hunger pains. The officers, witnesses said, yanked him into the air by his ears, threw him to the ground and kicked him into unconsciousness, rupturing his liver and breaking six ribs.

The epitaph, added to the tombstone to mark the six-month anniversary of the killing, would serve as well for any of the 40 or so other children killed this year in an underground campaign being waged by the police.

In June, eight children were kidnapped from a city street by men in a jeep. Investigators said the bodies of three of the boys were found shortly thereafter bearing messages written in torture: Their ears had been sliced off and their eyes burned out. And, in a traditional warning to witnesses against going public with anything they see or hear about the security forces, their tongues had been carved out.

"Hopefully, they were killed first, but that's not the way it's usually done here," said Bruce Harris, the regional director in Guatemala of Covenant House, a New York-based child welfare organization that unveiled the tombstone as part of a campaign against the police crackdown.

The tombstone also serves as a silent protest against the often hidden economic crisis that is ravaging Guatemala and the rest of Latin America. After a decade of almost uninterrupted recession, a job is little more than a fading memory for the vast majority of Guatemalans. Poverty has swallowed thousands of formerly middle-class families, pushing the already poor into desperate straights.

Almost nine in 10 Guatemalan families now

live in poverty, earning just enough money for food, but not for medicine, housing and schools. This is up from one in three a decade ago, according to statistics recently released by the United Nations that concur with other figures.

According to the UN study, the number of subject poor — those who are unable to feed themselves — jumped from one in eight to almost one in three during the 1980s.

This plight is repeated from country to country across the region. Even in Costa Rica, the

Police killings of street urchins in Guatemala shows the worsening plight of Central American children.

richest and most stable country in the region, two out of five families are unable to afford basic necessities. The economic crisis there has forced the deficit-plagued government to cut social services, hurting those who need help most.

Children, like Nahaman, have been among the hardest hit. A survey completed this year by Unicef found that a decade of civil war in El Salvador, Nicaragua and Guatemala had turned 2 million people into refugees; half are children under 16.

In El Salvador, half the children under 5 are malnourished. In Honduras, 60 poor children die every day. Despite plenty of rich children in most Central American countries, infant mortality has risen sharply. It has almost doubled in the last decade in many areas; some put the number as high as 120 per 1,000 live births.

Unable to feed their children, a growing number of families have abandoned them to the streets. In a recent report, Amnesty Interna-

tional estimated that there were at least 5,000 street urchins in central Guatemala City. Other officials say there are slightly fewer.

Many of the boys and girls are forced into prostitution. Others survive by petty thievery and by sniffing cobbler's glue. A 50-cent container can last a day, doled out a few tablespoons at a time into a plastic bag. When warmed by pressing the bag against the skin, it gives off intoxicating fumes, which normally are shared by the myriad small gangs that loiter in the city center.

"It gives them a high to escape reality and the courage to rob," said Mr. Harris as he hugged Moses, a 13-year-old addict, who broke the embrace to inhale from a white plastic bag containing an amber puddle of glue. "It dulls the hunger and warms the cold."


The police blame the children for much of the omnipresent crime that has turned the city of broad avenues and volcanic ravines into an urban battle ground.

Under intense pressure to control what is widely seen as spreading anarchy, the authorities have cracked down. Officers often punish the street children by pouring glue on their heads, forcing them to shave their hair.

But several recent investigations have determined that the police have also started a brutal campaign, similar to "the dirty war" against leftists that led to the deaths of tens of thousands of Guatemalans in the early 1980s.

In one recent report, Children's Rights International, a Pennsylvania-based child advocacy group, found a pattern that "includes extrajudicial executions, cruel and life-threatening extrajudicial punishments, beatings and attempts to intimidate witnesses to a fatal beating and the harassment of Covenant House street workers."

Under mounting pressure, the police arrested four officers in the death of Nahaman. But Mr. Harris, noting that no Guatemalan security officer has ever been convicted of human rights abuse, said he was skeptical that they would be prosecuted.



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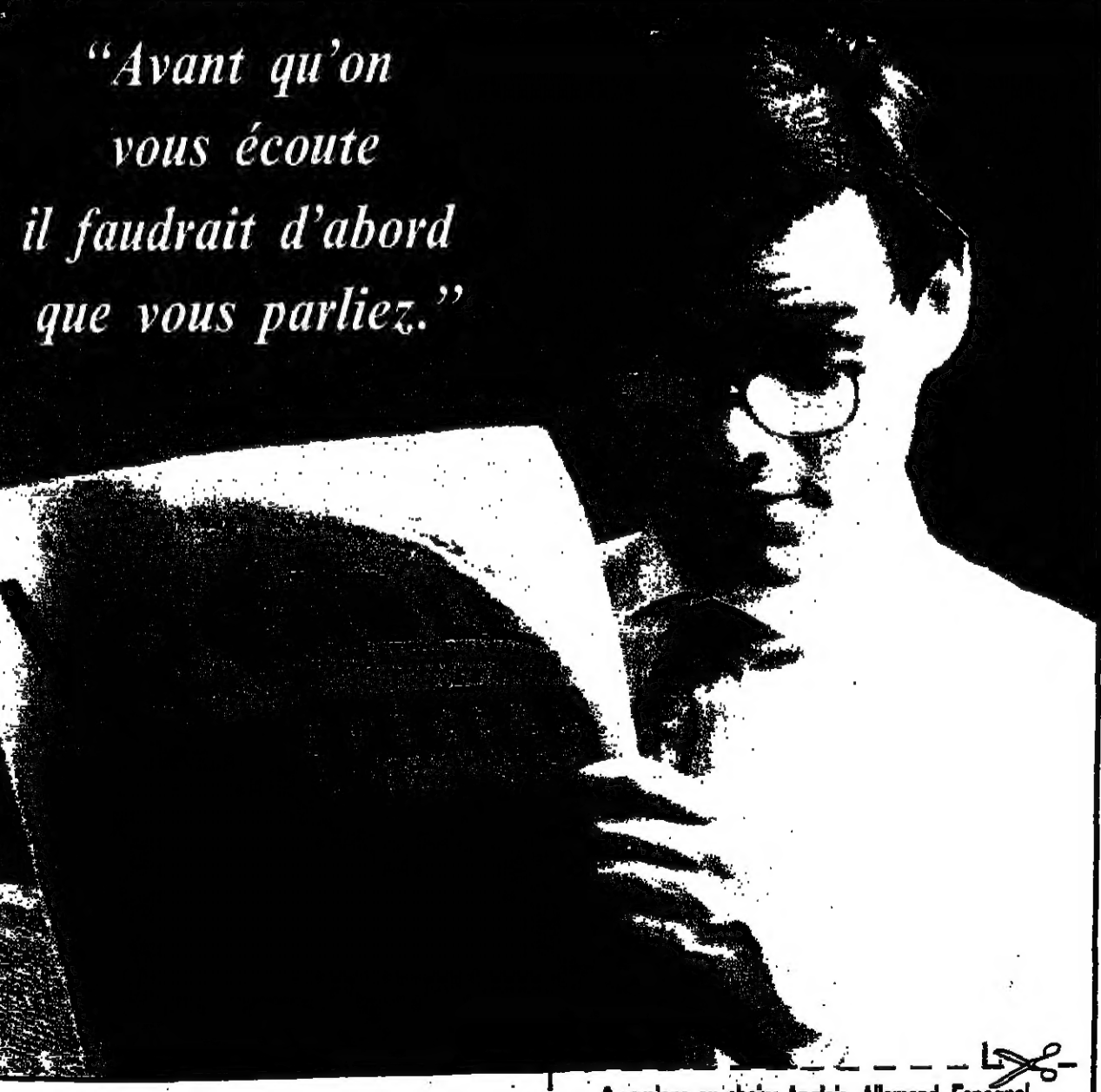
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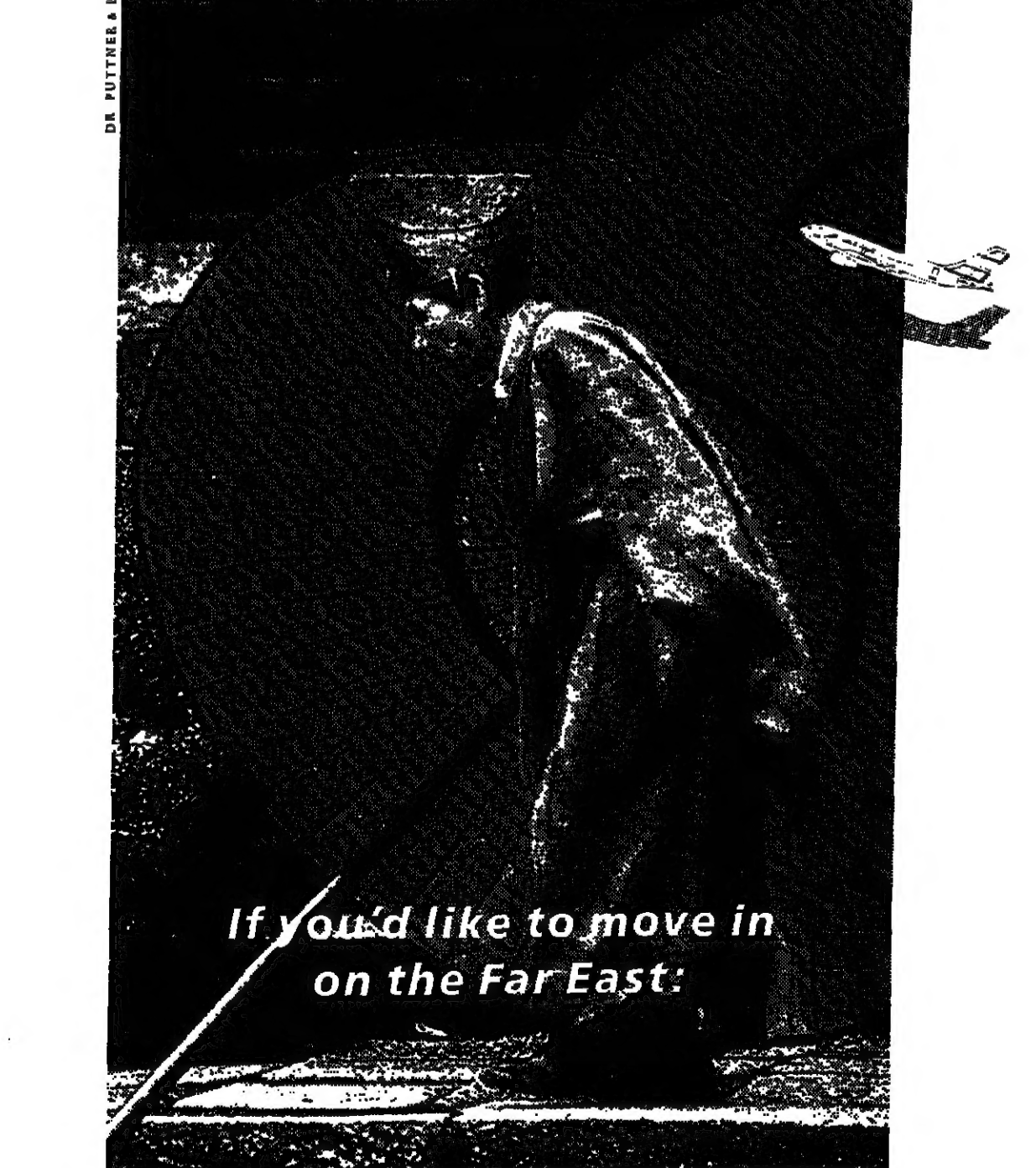
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le Due Tho

Douglas Edwa



PROCESSION IN INDIA — Lal Kishan Advani, a rightist Hindu leader, waving to a crowd in New Delhi on Sunday from a car converted to look like a chariot. Mr. Advani and members of his Bharatiya Janata Party, opposed by Muslims, are on a pilgrimage to promote building a temple in Ajothya, in the state of Uttar Pradesh, on a site occupied by a mosque.

Some in Hong Kong See the Future, and Want It to Work

By Steve Glain

International Herald Tribune

HONG KONG — Please don't tell Barbara Tong that Hong Kong has no future.

Born and educated here, Miss Tong, 25, plans to stay on after 1997, when the colony is to become part of China.

"Hong Kong is my home," she said. "I'm a colonial product. My family wants me to get out of this place, but I have no reason to go."

Miss Tong represents a dwindling group of professionals determined to resist Hong Kong's brain drain, which the government has estimated will reach 62,000 this year, from 42,000 in 1989. Some officials forecast an average annual exodus of 53,200 for the years to come. The colony has a population of about 5.7 million.

For Miss Tong, a senior executive at the public-relations firm Burston-Marsteller, Hong Kong's vast business opportunities and fast-paced lifestyle outweigh the cost of having to start from scratch in an alien world. She has become devoted to a city known for its itinerant community of traders, financiers and bureaucrats.

"A person has to live with dignity," she said. "People come back from the West and talk about how they have to start all over again. Being a foreigner makes it so much tougher."

Professionals who choose to remain are usually young, single and ambitious — too young to remem-

ber the riots inspired by China's Cultural Revolution in the 1960s, old enough to recognize that Asia will thrive even if the rest of the world folds into recession.

Many are also eager to take on the challenge that has defeated generations of emigrants, dictators, imperialists and tycoons — to make China work.

Those dedicated to Hong Kong, although sobered by the massacre of students in Beijing last year, believe that democratic change eventually will reach the mainland.

"I don't believe in the system," Miss Tong said of Communist China. "But I'm part of the Chinese race. If you want to make the system work, you should treat it like a sick child, and help it step by step."

"I want to stay in Hong Kong," said Claire Chao, 28, marketing director for Tiffany & Co. of New York Ltd. "And if I have to stick my head in the sand sometimes, I will."

"Things are deteriorating now," she added, "but I believe the cycle will turn around and people will come back."

Miss Chao, who holds a U.S. passport, says she believes in the resiliency that has seen Hong Kong through enemy occupation during World War II, riots, bombings, stock-market disasters and financial frauds.

And like Miss Tong, she regards Hong Kong as more than an escalator in an upward-bound career. "If there was ever a time when I

should have questioned the future of Hong Kong," she said, "it was in 1983." That was when Britain agreed to transfer control of the colony to Beijing. She was attending Princeton University at the time. "But I wanted to come home."

Home to family, friends and, yes, money. Many of Hong Kong's stalwarts, although strongly motivated by filial devotion, are also attracted to the growing demand for skilled local professionals.

"It raises our market value tremendously, and that helps," said Douglas Eu, an analyst at Jardine Fleming Securities Ltd. and a U.S. passport holder. "I may leave Hong Kong one day, but it wouldn't be because of 1997."

Mr. Eu, 29, says he believes Hong Kong can protect its future by maintaining strong ties to the Chinese economy while becoming more of a regional finance and high-tech center. But he worries that corruption and graft, so deeply entrenched in China, could undermine the colony after the change-over.

"Bribery will be more prevalent," he said. "Regardless of whether or not China interferes directly after 1997, they will have their own officials running things, and they could be susceptible to bribes."

Raymond Kong, a stock analyst for Sunshin Securities Ltd., said he would rather live in a more corruption-prone environment than

have to pull up stakes and start again somewhere else. Mr. Kong, 32, who was born on the mainland, said he had too many Hong Kong friends in Canada and Australia who had "gone four to six months without jobs."

Besides, he said, "as long as there's no violence, Hong Kong

people don't care who's in charge." Few Hong Kong residents expect China to do the worst and throttle the colony with heavy-handed rule. Many believe the real threat is the brain drain itself, which has taken on a life of its own since 1989 Tiananmen crackdown.

"There are two reasons people leave," Miss Chao said. "Actual fear and the fact that the brain drain is undermining the economy. My perception is that it's not so much the former, so it's a self-fulfilling prophecy. It's all perception and not reality. In a way, that's why I refuse to leave."

Le Duc Tho, Hanoi's Peace Negotiator in '70s, Dies

By Eric Pace

New York Times Service

Le Duc Tho, the chief North Vietnamese negotiator at the Paris talks that led to the 1973 Vietnam cease-fire agreement and the withdrawal of the last U.S. troops from Vietnam, died Saturday at Army Hospital 108 in Hanoi. He was 79. The press attaché of the Viet-

namese mission to the United Nations, Le Dong, said the mission had received information that Mr. Tho had died of a serious illness, but he did not elaborate.

The Japanese news agency Kyodo, in a dispatch from Hanoi quoted by The Associated Press, said Mr. Tho died of cancer of the throat.

Mr. Tho, a hard-line Communist, was a member of Hanoi's Politburo from 1955 to 1986, when he resigned in a party reshuffle. He had risen to be one of the three most powerful Vietnamese leaders. Afterward, he continued to influence Vietnamese politics.

Beginning in 1969, Mr. Tho held secret negotiating sessions in Paris

with Henry A. Kissinger, then national security adviser to President Richard Nixon. The two men initiated the armistice accord on Jan. 23, 1973, after working out its terms, and Mr. Nixon called it "an agreement to end the war and bring peace with honor."

Mr. Tho and Mr. Kissinger were jointly awarded the 1973 Nobel

Peace Prize for that work, though fighting between Vietnamese forces continued. Mr. Tho, the first Asian chosen for the honor, refused it, saying that "peace has not yet been established."

An expert on South Vietnam, he was later sent there from Hanoi to oversee the final, victorious Communist offensive in 1975 that brought the fall of the Saigon government and the merging of North and South Vietnam into a single Communist-ruled state.

Recalling the talks and the fall of Saigon in 1975, Mr. Tho said in 1985 on American television that the Communist side had "wrested total victory." But Mr. Kissinger, in a 1982 book, "Years of Upheaval," said that the U.S. side had "forced a tenuous compromise."

Summarizing the secret negotiations, he wrote that Mr. Tho "stonewalled ingeniously for three years."

And when the occasion to settle had been imposed by military defeats suffered by North Vietnam in 1972, Mr. Kissinger wrote, "he did so with flexibility and speed."

Douglas Edwards, 73, First TV News Anchorman

By Dennis Hevesi

New York Times Service

The first television news anchorman, Douglas Edwards, who began his career at 15 on a makeshift radio station in Alabama and covered the closing days of World War II with Edward R. Murrow in London, died Saturday in Sarasota, Florida, where he lived. He was 73.

Mr. Edwards, who worked for CBS from 1942 until 1988, had been ill with cancer, a network spokesman said.

In 1932, Mr. Edwards became

what he called the "junior" announcer on a 100-watt radio station in Troy, Alabama — "over the firehouse, next door to the Methodist church" — that had been put together by a group of older friends.

In the 1930s, he worked for the radio station WXYZ in Detroit, along with another aspiring broadcaster, Mike Wallace. Mr. Edwards joined CBS in 1942.

Toward the end of the war he was assigned to CBS's London staff, where he worked with Mr. Murrow. He joined Mr. Murrow and Quincy Howe in the acclaimed

CBS radio coverage of the 1948 presidential conventions.

"Afterward," he once recalled, "CBS asked me to go into television, and I did it with some fear and trepidation, not because I was nervous about being on television — I had done quite a bit of it — but because radio was the power."

Frank Stanton, then president of CBS, chose Mr. Edwards to anchor "Douglas Edwards with the News," television's first nightly network news program. He held the job for 14 years and was succeeded by Walter Cronkite.

Among the many people Mr. Edwards interviewed were Winston Churchill, Herbert Hoover, Eleanor Roosevelt and John F. Kennedy.

He was one of the first TV reporters to work on location, providing an on-the-scene report when Puerto Rican nationalists shot five congressmen on the floor of the House of Representatives in 1954 and an exclusive eyewitness account of the 1956 sinking of the Italian liner Andrea Doria.

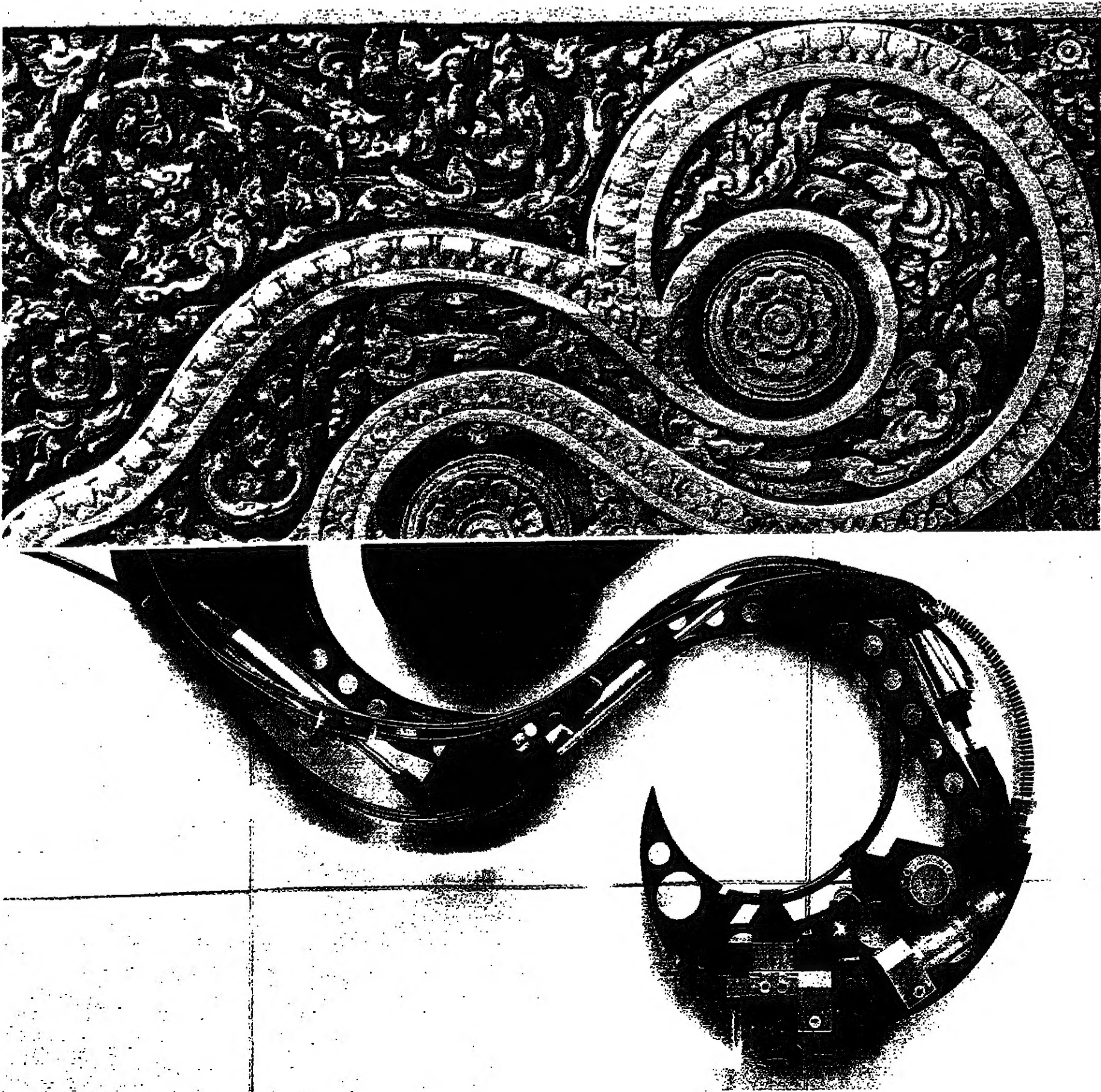
He won the George Foster Peabody Award for "best television news" in 1956.

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Charles G. Lindbergh

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THE GULF: Frustration among Americans with the standoff in the desert

Sagging Economy Saps Public Support for Bush Gulf Policy

By Michael Oreskes
New York Times Service

NEW YORK — Support for President George Bush's commitment of troops in the Gulf has begun to erode in recent days as Americans grow frustrated with the standoff in the desert and increasingly worried about the sagging economy at home, a New York Times/CBS News poll has found.

The poll of 960 adults, conducted by telephone Monday through Wednesday, found economic fears at their highest in a decade and Mr. Bush's overall job rating the worst of his presidency, although it remains at a level that some recent presidents would have coveted.

There was a dramatic deflection from Mr. Bush among citizens 65 and over, whose general economic fears have been deepened by talk from Washington of increases in taxes and Medicare premiums.

Overall, 60 percent of those surveyed said they approved of the way Mr. Bush was handling his job, down from 76 percent in a New York Times/CBS

News poll soon after the Iraqi invasion of Kuwait in August. Thirty percent expressed disapproval, up from 15 percent in August and the highest level of disapproval toward Mr. Bush so far.

Support for his handling of the Kuwait situation declined to 57 percent from the 75 percent who expressed approval soon after the invasion.

From the beginning of the Gulf crisis, analysts of public opinion noted a strong undercurrent among Americans against commitment of military power. But until now, this did not seem to undermine the overwhelming support for Mr. Bush's actions.

But in the last three weeks there has been a significant shift. In late September, 75 percent of the public told a survey conducted for Americans Talk Security, a bipartisan research group, that the United States had done the right thing by sending troops to the Gulf.

In the latest New York Times/CBS News survey, 61 percent said the United States had done the right thing. Those who said the United States should have stayed out rose to 32 percent from 20 percent.

Both polls have a margin of error of plus or minus 3 percentage points.

Foreign policy and the performance of the economy are generally the two key measures by which Americans judge their presidents. The latest poll indicated that seven out of 10 Americans thought the economy was getting worse, the largest number to hold such a negative view since April 1980, seven months before President Jimmy Carter lost his bid for re-election.

Fifty-two percent expressed disapproval of Mr. Bush's handling of the economy, and 56 percent disapproved of his handling of the budget deficit.

By a majority of 54 percent to 37 percent, Americans said Mr. Bush should have shown stronger leadership in trying to settle the budget crisis.

Analysis in both parties suggested that rising economic fears are dragging down overall support for Mr. Bush and for his most important foreign policy commitment.

"If people start disapproving on one thing they will tend to generalize that opinion to other things," said

Fred Steeper, a partner in Market Strategies, a Republican polling concern.

The New York Times/CBS News survey was conducted during a period when the Gulf, for the first time since the Iraqi invasion, was not dominating the news and Mr. Bush's policy on the crisis was facing little direct criticism.

What was dominating the news was the great confusion and conflicting statements from Mr. Bush about exactly where he stood on taxes and the proposals Congress was wrestling with to lower the deficit.

"Obviously, the budget situation, and the news surrounding it, has not injured to the president's benefit," said Charles Black, a White House political adviser and chief Republican spokesman.

"That's still a pretty high job approval rating, not far from levels he's enjoyed in the last two years, except during the first few weeks of the Persian Gulf, when he got up to levels no one could sustain for long," Mr. Black said.

Kuwaiti Prince Pledges Syrians Lagging on Promised Armored Division

By Alan Cowell
New York Times Service

By Youssef M. Ibrahim
New York Times Service

JEDDAH — The exiled crown prince of Kuwait has pledged to reinstate the country's dissolved parliament and to hold free elections if the country is liberated from Iraqi troops.

Addressing about 1,000 prominent Kuwaiti officials and citizens Saturday, the crown prince, Sheikh Sabah al-Jabir al-Sabah, said a liberated Kuwait would "rise in the shadow of the constitution of 1962 to solidify democracy and deepen popular participation, which was, and remains, a goal we all strive to realize and struggle to achieve."

The declaration was greeted with a long standing ovation by the Kuwaitis taking part in what was called the first Popular Kuwaiti Congress in exile.

There was another round of applause when Sheikh Sabah declared that women, who have been denied the vote and have had a limited role in Kuwait's conservative Islamic society, would "play a greater role and make more noble contributions in liberated Kuwait."

The constitution of 1962 stipulates that although a member of the Sabah family will always rule as emir, the country will also have a freely elected parliament that will exercise powers of oversight over the government and the choice of cabinet ministers.

The constitution was suspended by the emir, Sheikh Jaber al-Ahmad al-Sabah, in 1986. The parliament was dissolved, and censorship imposed on what had been the Arab world's freest press.

Afterward, the Sabah family

greatly expanded its presence and control of the government, and, until the invasion by Iraq on Aug. 2, resisted all pressure and demands from various segments of the population to reinstate the freedoms guaranteed in the constitution.

The government agreed in the summer to form a national assembly in which 25 of the 75 members would be appointed by the Sabahs. Opposition figures called for a boycott of the elections for that body and continued to insist that they would accept nothing less than the return of the original parliament.

Many Kuwaitis said Saturday's declaration by the crown prince represented a significant concession to those who have long struggled to secure a democratic form of government in the emirate of the Gulf and a telling gesture toward Kuwaiti women, who have played a major role in the resistance to Iraqi occupation but were not allowed to take part in this gathering.

Addressing the assembled Kuwaitis, who included senior government officials, former members of the defunct parliament, cabinet ministers, ambassadors, educators and opposition members of the so-called constitutional movement, Sheikh Sabah pleaded for a strong show of national unity in the face of the Iraqi occupiers by the time this conference ends on Monday.

He appealed to the advocates of democracy to join hands with the government now that it has conceded their right to a free parliament and free elections.

Virtually all of the proponents of democracy said that they readily agreed with the crown prince.

Syrians Lagging on Promised Armored Division

wait on Aug. 2, President Hafez Assad has sent 4,000 soldiers to the Gulf region, depicting the deployment to his people as an effort to give an Arab profile to the defense of Saudi Arabia and to persuade Iraqi forces to withdraw.

Last month, he told Mr. Baker that he would also send an armored division of 13,000 soldiers and 300 tanks and other vehicles to the region. Diplomats said the division

was to have been drawn from an area close to the Golan Heights on the border with Israel and to have been composed of elite forces.

But the force has been delayed, for a combination of political and logistical reasons.

Arab and Western diplomats said that the Soviet Union had refused a Syrian request to help transport it and that Syria's own military commanders had registered

disquiet over a close association with the United States.

Moreover, some diplomats said that Saudi Arabia, too, had expressed concern over the prospect of Syrian soldiers, schooled in the secular and socialist ideology of Ba'athism, influencing the conservative and religious Saudi population.

Government officials in Damascus were not available to comment on the delay.

ACROSS

- 1 Mineral springs
- 2 Slow, musically
- 3 Hodgepodge
- 4 Attic
- 5 Green-card possessor
- 6 Division word
- 7 Jail
- 8 Christopher Robin's creator
- 9 Tide type
- 10 Oct. 15 celebrations
- 11 Notorious loch
- 12 Fountain orders
- 13 Rose essence
- 14 Opened the throttle
- 15 Archipelago unit
- 16 See 37 Across
- 17 An energy source
- 18 "of Two Cities"
- 19 Words of approximation
- 20 U. of Nevada city
- 21 Sat for a portrait
- 22 Blind
- 23 Paradise
- 24 Tire in the trunk
- 25 Whirlpool

DOWN

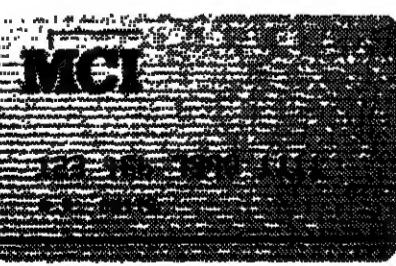
- 1 Side dish
- 2 Marco, the world traveler
- 3 From a distance
- 4 Kind of heel
- 5 End-table items
- 6 He wrote "The Waste Land"
- 7 River of two colors
- 8 Campsite sight
- 9 Unique person
- 10 Caste members
- 11 Close, in verse
- 12 Remains
- 13 Beer ingredient
- 14 Morse-code sound
- 15 "the Top"
- 16 Painter Klee
- 17 Otherwise
- 18 Ready for picking
- 19 Dungarees
- 20 Fit of shivering
- 21 Jerk
- 22 Poker variety
- 23 Lamb, literally
- 24 Opposite of dele
- 25 Big butte
- 26 K.G.B. country
- 27 Become weathered
- 28 Cry or kudu
- 29 Sunday speech
- 30 Baba or MacGraw
- 31 Glutted
- 32 Flat on one's belly
- 33 Catches forty winks
- 34 On the summit of
- 35 Jenny Lind, for one
- 36 Article of merchandise
- 37 Nurture
- 38 Previously owned
- 39 poly

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DOGGEDLY ENS
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Soviets Report Iraqi Offer on Kuwait Withdrawal

Compiled by Our Staff From Dispatches
MOSCOW — President Saddam Hussein told a Soviet envoy that he might be willing to withdraw Iraqi forces from most of Kuwait if he were allowed to keep territories that command Iraq's outlet to the Gulf, a Soviet news agency said Sunday.

Mr. Hussein's comment was made to Yevgeni M. Primakov, a member of President Mikhail S. Gorbachev's Presidential Council who visited Baghdad on Oct. 6, according to a dispatch by Novosti, a semi-official press agency.

"It followed from his statements that Iraq could withdraw its troops from Kuwait, keeping for itself southern Rumaila and the islands of Warba and Bubiyan, which open the way to the sea," said the Novosti report, published in the daily newspaper Rabochaya Tribuna.

"Apparently this shift in the Iraqi position caused Primakov to be cautiously optimistic in evaluating the chances of a political solution to the conflict," it said.

The Rumaila oil field is on the disputed Iraqi-Kuwaiti border, and before the invasion each side had

accused the other of stealing oil from the region.
But Iraq denied the Soviet report that it might withdraw from Kuwait. "Those disseminating such baseless reports are well known, and so are their aims," the official Iraqi press agency, INA, said Sunday.

Mr. Primakov left Baghdad saying that he was more hopeful of a political settlement to the crisis, which began when Iraq invaded Kuwait on Aug. 2.

But Soviet officials have released no details of his talks or of the

message he gave Mr. Hussein from Mr. Gorbachev.
Meanwhile, Iraq denied Sunday that it had been involved in the assassination Friday of the speaker of Egypt's parliament and said that reports linking Baghdad to the killing were based on lies.

INA said the reports were "meant to cover up popular indignation" against the Egyptian government because of its involvement in the multinational force amassed against Iraq in the Gulf region.

The speaker, Rifat Moshgob, his driver and four security men were shot in Cairo by men on mo-

torbikes. Newspapers in Cairo reported Sunday that the police had arrested a number of Muslim extremists suspected of involvement, including two men carrying forged Syrian and Iraqi passports.

In another development, Iran and Iraq resumed direct diplomatic ties Sunday after reopening embassies in each other's capitals, the Iranian Foreign Ministry said.

A ministry statement quoted by the official Iranian press agency, IRNA, said that the Iraqi charge d'affaires began his assignment to Tehran on Sunday.

(Reuters, AP)

POLICY: U.S. Initiatives on Iraq

(Continued from page 1)

House officials had discussed seeking a new UN resolution condemning Iraq, but the timetable was uncertain.

The latest strategy among Mr. Bush's top advisers is to try to demonstrate to Mr. Hussein that his room to maneuver is "shrinking," as several of them put it in separate interviews. The reparations measure would be an effort to convince him that the costs of remaining in Kuwait will be higher the longer he remains. For several weeks, the Justice Department has been studying a possible resolution condemning Iraq for war crimes.

A further tactic would be to keep U.S. forces in place and the threat of war hanging over Mr. Hussein indefinitely, without going on the offensive unless provoked. One official said this "containment" would at least weaken Mr. Hussein's military force in Iraq and Kuwait, because of the lack of vital supplies from the outside. The official emphasized that such an option "is not a repudiation of force" as a possibility, but only a means of buying time.

"We can contain him where he is now without losing a life," the official said. "But containment doesn't get him out of Kuwait."

How long the campaign against Mr. Hussein can go on, while 200,000 U.S. troops are deployed in the Gulf, remains uncertain even to the highest-ranking decision-makers. They said they saw some evidence that the global economic embargo was hurting Iraq, but they do not know how much.

U.S. officials said they were watching closely for signs that Mr. Hussein was feeling the pressure. They believe he may start to propose new diplomatic initiatives to splinter the coalition arrayed against him.

"If the coalition holds together, and we move toward war, then he starts to throw more things out," said a participant in the internal administration discussions. "He will try to delay the military option."

He will seek half a loaf, maybe. But he hasn't done much of it yet."

"We don't have a decision point," the official said of the choices facing Mr. Bush. "The passage of time helps us in terms of sanctions, but it hurts us with the rape of Kuwait and diversions."

"No one wants to rush to war. But we're not coming closer to our objectives, either. You're right to read some ambiguity into it. We are constantly taking the temperature."

"There will need to be a collective coming to judgment that the current approach is or is not going to work," the official said.

The British foreign secretary, Douglas Hurd, said Thursday that such a judgment would have to come soon, and other participants in the multinational force have also been pressing for a decision, officials said.

"There are a lot of people out there who want to hold our coat" while American forces bear the brunt of an attack, another U.S. official said.

Pakistan Denies It Sought Materiel

Reuters

ISLAMABAD, Pakistan — Pakistan has denied reports that it tried covertly three times this year to buy special furnaces that could be used for making a nuclear bomb.

A Foreign Ministry spokesman said a report in The Washington Post last week on attempts to purchase the furnaces was unfounded.

Pakistan has always denied it possesses or is trying to develop nuclear weapons. U.S. economic and military aid was cut on Oct. 1 after President George Bush failed to sign a certificate assuring Congress that Islamabad did not possess nuclear weapons.

CRISES: A Reminder of Mideast's Chronic Problems

(Continued from page 1)

War I can no longer contain the tensions and contradictions of the area and are giving way."

The upheaval may also reinforce fears that even a resolution of the Gulf crisis would not automatically bring stability to a region little accustomed to it. These voices stress the need for the broadest possible Western objectives.

"We must have a strategic objective in managing this crisis," said Audet Girard, a former French defense minister, in a comment representative of a strain of European thinking. "We must manage it so that the Judeo-Christian culture and the Islamic culture are able to reconcile their differences in the near future."

"We don't want to start something that could turn into a religious war," he added, "especially when you realize that Muslims will soon account for 30 percent of the world's population."

The political system that the colonial powers helped install after the Ottoman breakup — one of compliant Arab rulers and accommodating business interests — has been under siege since 1945. Influences as diverse as Arab nationalism and the Arab bazaar and fragmentation that resulted from the victories of Israel in its war for independence and many of its struggles since have combined to batter the Sunni-dominated, Western-oriented establishment.

The modern Middle East produced by these deep social, economic and political fissures embraces fabulous wealth and desperate, primitive poverty; religious, tribal and racial groupings that frequently see their differences as reasons to fight, and a central role in global commerce that has always caused outside powers to covet influence there.

The result is a pattern of shifting alliances and ambitions that can catch outside powers off balance. Muslim Syria appears to have taken advantage of the crisis in the Gulf to settle a two-year-old score against General Aoun and to en-

trench Lebanon's Christian president, Elias Hrawi, in power. General Aoun's principal foreign backers, Iraq and France, were too preoccupied to offer him decisive help.

It is still not clear that the shooting of the speaker of the Egyptian parliament Friday was directly related to the Gulf crisis, but many in the Arab world will assume that President Saddam Hussein of Iraq ordered the killing as part of an effort to destabilize the Egyptian government. Proof that such a campaign existed could push the crisis into war.

The shooting of rock-throwing Palestinians by the Israeli police Monday and the subsequent sharp American criticism of Israel at the United Nations will also have a strong impact on the Gulf crisis.

Some analysts maintain that the American reaction to the Temple Mount killings and President George Bush's newly stated willingness to explore a Middle East peace conference after Kuwait's sovereignty is restored offer Mr. Hussein an opportunity to declare victory in Kuwait and withdraw.

"He has a chance for a graceful exit now if he wants to claim that he succeeded in placing the Pales-

tinian question at the center of the international agenda," a French official said. "Perhaps this tragic violence can help us avoid what would be even greater violence in the Gulf."

But thus far Iraq has treated the events of last week as new reasons to step up its threats against both Israel and the United States and to restate its intention to keep Kuwait. This reaction suggests that Baghdad has decided to wait for the next batch of events before it considers changing course.

Victim of Plane Crash To Receive \$31 Million

The Associated Press

SANTA CLARA, California — A former computer industry executive who was severely injured when the light plane he was flying in crashed in 1987 has been awarded \$31 million, his lawyer said.

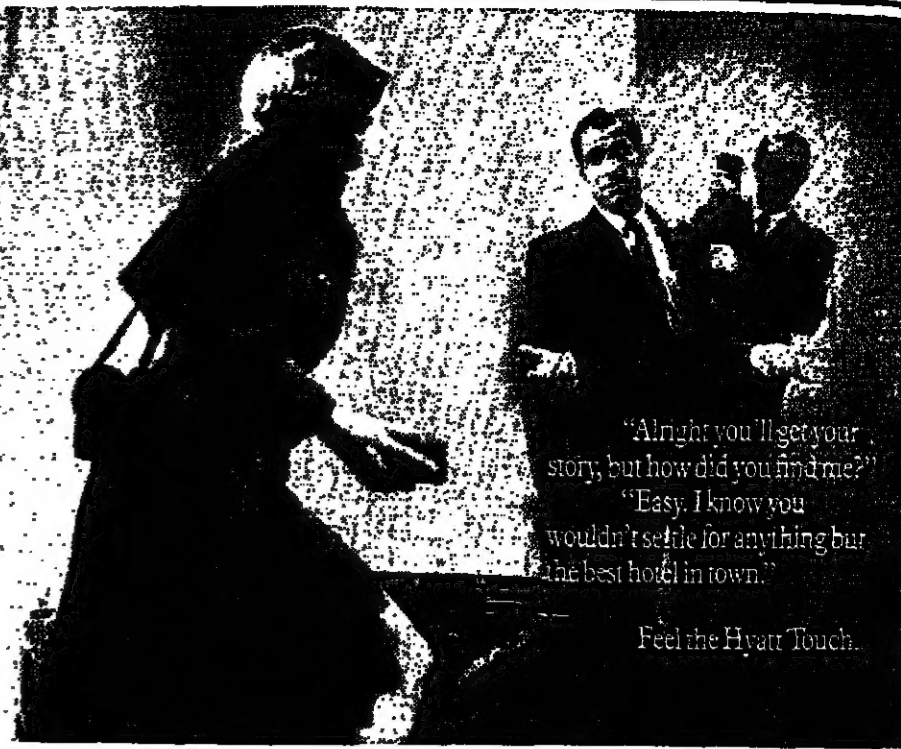
Terry O'Reilly, an attorney for Dennis Paboejian, 47, said he believed the settlement was the largest ever negotiated by a single person suing for personal injuries. The manufacturers of the plane and its engine are among the companies involved in the settlement.

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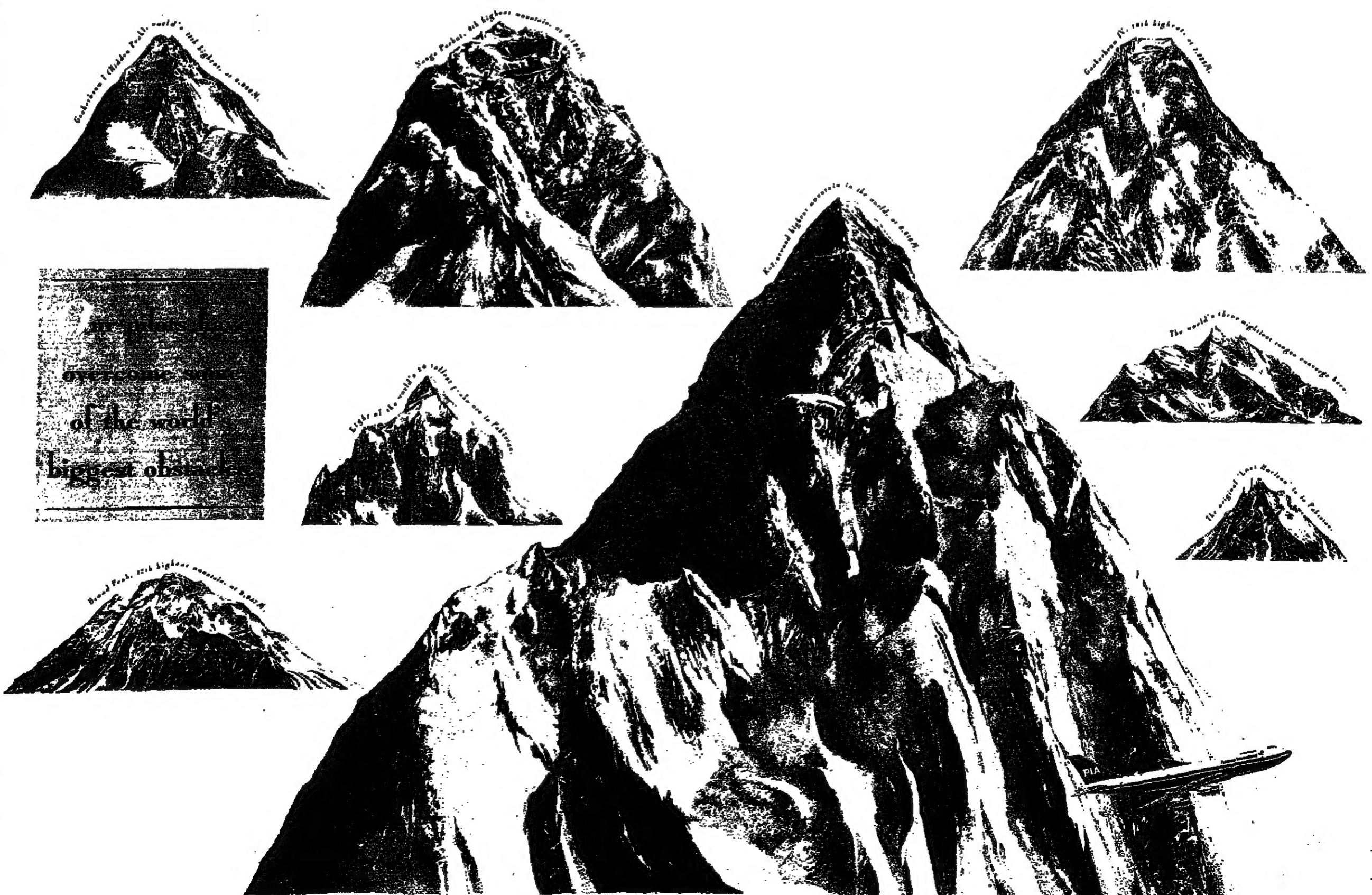
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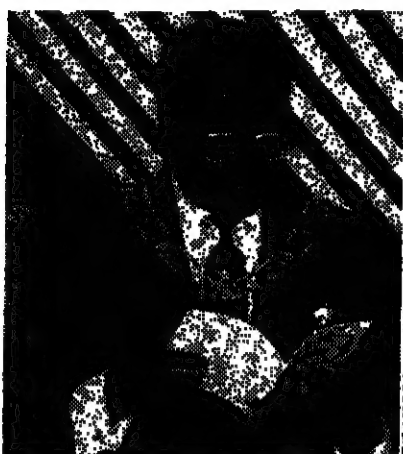
ZIMBABWE

A DECADE OF INDEPENDENCE

Peace and Stability Are Fruits of Independence

Stability in Zimbabwe is not just the status quo. It is an achievement that testifies to the country's resilience, despite serious challenges.

The country was born 10 years ago at the end of a nine-year guerrilla war against white-minority rule. Soon after independence, a rebellion broke out among supporters of the black political party that fared poorly in the British Commonwealth-supervised elections of 1980, and serious drought hit the region. Reconciliation was no small feat. More than half the country's



President Robert Mugabe.

Economy is second only to South Africa's in region

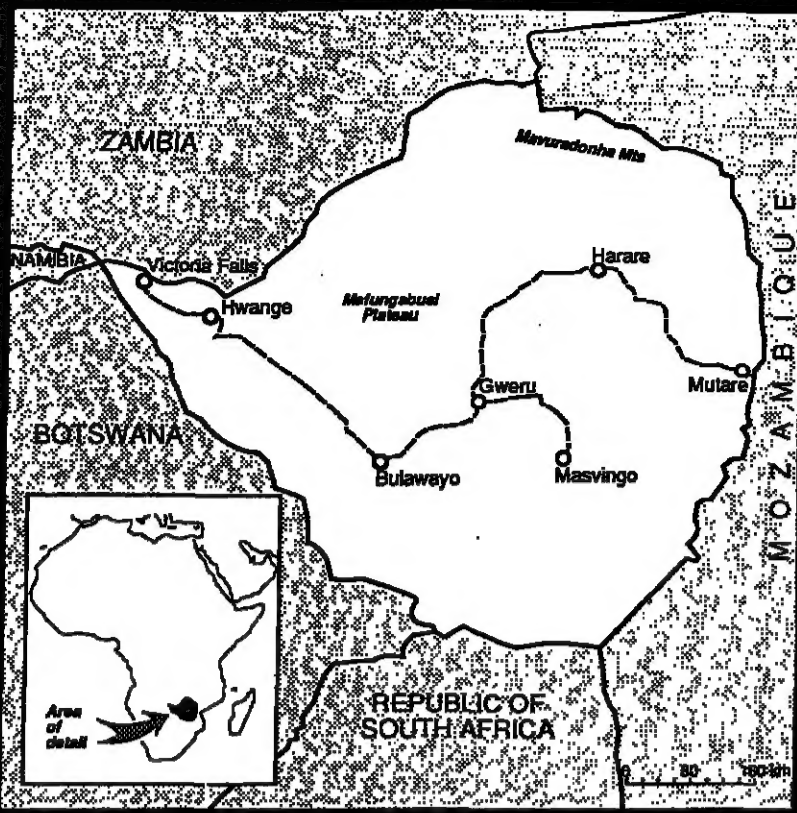
250,000 whites fled at independence, leaving a shortage of skilled manpower. Reassurances, pragmatic policies and restrictions on currency exports persuaded others to stay. Today there is peace between the country's nine million blacks and the remaining 100,000 whites. They work side by side, live as neighbors and dine together in city restaurants.

Uniting rival parties called for ethnic as well as political compromise between the majority Shona people and the 20 percent of Zimbabweans who are Ndebele. Pres. Robert Mugabe negotiated a merger between his ruling Zimbabwe African National Union-Patriotic Front (ZANU-PF) and Joshua Nkomo's Patriotic Front-Zimbabwe African People's Union (PF-ZAPU) in 1987. Mr. Nkomo was named to one of two vice presidencies. Although the country remains

a multiparty democracy, the new ZANU-PF dominates, as shown by its overwhelming win in this year's elections.

Since independence, the government has emphasized education, health care, rural development and other social services for the African majority to help close the economic gap with whites.

Primary school enrollment rose from 819,000 in 1979 to 2.2 million in 1988 while secondary jumped from 66,000 to 653,353. Enrollment at the University of Zimbabwe and technical colleges is triple the pre-independence figure. The university graduates about 1,500 students a year and another 1,000 to 1,200 complete their studies in Cuba. A



1980-1990

second university, oriented toward technical fields, will open next year in Bulawayo, the second largest city.

Hundreds of new health-care centers have been built, and 450 primary-care clinics have been upgraded. Services are free for those earning less than Z\$150 (US\$60) a month. More than 8,000 village health workers have been trained. Such efforts have cut the infant mortality rate of 120 to 140 per thousand to 60 to 80 per thousand in 10 years.

Zimbabwe has recovered from the 1983-84 drought to produce corn surpluses two or three times its

needs. Peasant farmers have recorded impressive gains, earning more than 10 times as much for their crops and livestock in 1988 as they did in 1980. Policy has encouraged communal, cooperative and commercial farmers through loans, extension services, research, price controls and increased marketing services.

Dennis Ndlovu, mayor of the Matabeleland capital, Bulawayo, says there was little development in his region until after the 1987 accord between ZANU-PF and PF-ZAPU. Now, he says, the country

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Investment Package Provides New Incentives

The door to the Zimbabwean economy, nearly shut for 25 years, is opening little by little.

Zimbabwe has embarked on an economic liberalization program designed to promote local and foreign investment while giving the country's manufacturers time to catch up with foreign competitors. Policymakers also hope to cushion poorer citizens from inflation — now nearing 20 percent — that is

up to 100 percent of net profits for new or expanded export-oriented projects, depending on the proportion of foreign capital invested; an expanded open general import license category, making imported dyes for the textiles industry, for instance, more accessible; automatic retention of 5 to 7.5 percent, depending on the industry, of export earnings for the purchase of imports; and further assistance for small enterprise development.

The Zimbabwe Investment Center, intended to provide "one-stop shopping" for potential investors, will have somewhat expanded powers.

The repatriation allowance represents a significant departure from past practice, which generally limited repatriation to 25 to 50 percent, depending on when the funds were invested.

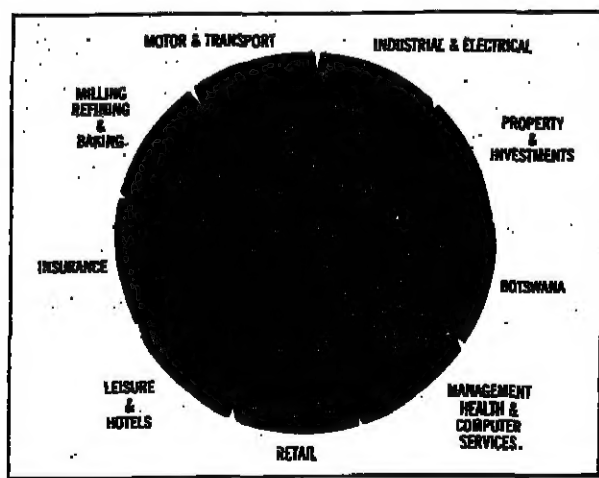
Local reaction has been favorable, with a few reservations. David Broomberg, chairman of Merlin Ltd. cotton spinners and weavers, calls the plans "dynamic."

"If our government is able to let go control of investment, parastatals and currency, we could be the Japan of Africa," he says. "We've got everything — industry, resources, people, climate."

John Carter, group chief executive of Apex Corp. manufacturers, gives the program full support "because now we'll be able to obtain the foreign exchange to enable us to

Continued on Page 11

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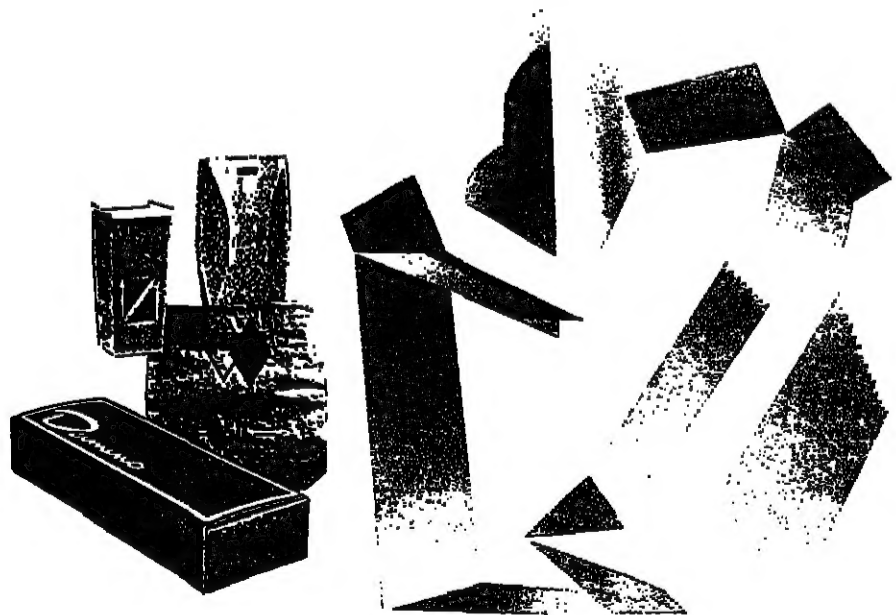


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A Wealth of Mineral Resources

After more than a millennium of mining, gold is still Zimbabwe's most profitable mineral, followed by nickel, asbestos, coal, copper and chromite. Platinum reserves wait to be tapped, and oil exploration is under way.

Together, minerals and local manufacture of ferroalloys and other mineral products earn 42 percent of the nation's foreign currency.

Remains of clay-pipe smelters used by Iron Age miners have been discovered in Zimbabwe. But, in ancient as in modern times, it was gold from the mineral-rich Great

Over 50 minerals are extracted from its soil

Dyke bisecting the country that spurred the biggest growth.

The Shona-Karanga empire traded its gold and ivory with Arab merchants for cloth, salt and trinkets for several centuries before the Portuguese supplanted the Arabs in the early 1500s. Some 4,000 ancient mines are thought to have produced 600 to 800 metric tons of gold during the 1,200 years before European colonization.

Modern mining began after the hunter Henry Hartley stumbled upon ancient diggings, confirmed in 1866 by the geologist Karl Mauch. Cecil Rhodes obtained prospecting rights from Lobengula, who ruled part of what was to become Rhodesia, and a Royal Charter. By 1890, European colonization of and mining in what is now Zimbabwe was under way.

Today Mobil Oil is exploring for petroleum in the Zambezi Valley of northern Zimbabwe. T.C. Andersen, the minister of mines, says the company has completed gravity and seismic tests but will need four years of study before deciding whether deposits are commercially viable.

Despite little platinum production, there are "very, very exciting prospects," the minister says. Three international companies are looking into its feasibility; an Australian firm hopes to begin development this year.

Reunion Mining has received government approval for a Z\$17 million (US\$6.8 million) pro-

gram to explore for new sources of gold and high-value, low-bulk minerals.

B.C. Stanley, senior executive of the Chamber of Mines, says that, excluding South Africa, "it is arguable whether there are as many mines in the whole of sub-Saharan Africa as there are in Zimbabwe."

Miners extract more than 50 different minerals from Zimbabwe's soil, including metals, precious stones and coal. Diversity protects the economy from mineral price fluctuations and offers local manufacturers a selection of raw materials.

Gold led 1989 mineral earnings with Z\$413.6 million (US\$165 million), followed by nickel at Z\$294 million, asbestos at Z\$133.6 million, coal at Z\$119 million, copper at Z\$76.7 million, chromite at Z\$57.5 and iron ore at Z\$31.5.

Mr. Andersen says efforts are under way to increase ferrochrome production and the manufacture of iron and steel, following a massive rehabilitation of the steel works. Stainless steel production is being considered.

Zimbabwe's low-sulphur coal from the new field in the Zambezi Valley should be a profitable export. Locally, coal-fueled thermal plants already complement hydroelectric power. Other prospects include further smelting and refining of nickel, gold, tin and copper.

The country is unable to meet demand for its large quantity of high-quality asbestos, Mr. Andersen says, but the trade liberalization program, the first steps of which took effect Oct. 1, may improve production.

The program outlines specific measures to "provide a more favorable climate for new investors and ... to encourage further beneficiation of minerals." The new rules permit foreign-owned, local and joint-venture companies to repatriate net profits in the same proportion as they bring foreign capital to new projects. Repatriation is contingent upon export orientation.

Previous regulations generally limited repatriation to 50 percent of net profits, depending on the age of the investment. The government also says it will consider making projects geared toward import substitution and minerals beneficiation eligible for greater repatriation.

Exporters will now be allowed to retain 5 percent of export earnings to finance import requirements. Existing export incentive programs will continue.

E.G. Ngugama, president of the Chamber of Mines, called the program "very positive considering the economic and financial constraints facing Zimbabwe at present."

"A clear recognition by government that additional incentives for the mining industry to encourage investment in exploration and further beneficiation of minerals can only be good," Mr. Ngugama said in a statement, "provided, of course, it does not take too long to be brought about."

The Chamber of Mines lists the mining industry's problems as a shortage of foreign currency for imports; high taxation; complex regulations; rather inflexible labor laws; inadequate stocks of spares; price controls and salary freezes; and a critical shortage of commercial vehicles.

Mr. Andersen says that his ministry is aware of the problems and hopeful that liberalization will begin to address them. He says potential investors should note that Zimbabwe has a "pretty sophisticated" mining sector, including government geological survey and metallurgy departments, an institute of mining research and university geology, mining and engineering programs.

Mining not only earns foreign exchange, it employs 57,000 people in the formal sector and, by rough estimate, another 50,000 small-scale miners, many of them women. Mr. Andersen says small operations contribute 10 percent to gold production and often discover major new sources.



Smallholders like Angela Chikaka produced 19 percent of the country's crops and livestock in 1988.

Agricultural Sector Rests on Solid Ground

Zimbabwe was hard hit by drought in the 1980s, although not to the point of famine. It has risen from those depths to produce huge surpluses.

Agricultural success in Zimbabwe has been a question of attacking on all fronts. The government's policy emphasizes the improvement of farming on communal lands, co-operatives and resettlement areas.

Tobacco and cotton are the major export crops

without impeding the progress of commercial farmers.

By 1985, small-scale farmers produced more corn than did commercial farmers. Surplus grain is something of a burden to the Grain Marketing Board, a parastatal. The logical buyers, neighboring countries with shortages, are strapped for cash. Storage is costly but efficient — grain spoilage is just 1 percent compared with 15 percent in many African countries.

Zimbabwe's agricultural base is relatively solid and diverse. The biggest earners are tobacco, livestock, cotton, corn, sugar, milk, wheat and soybeans. Smallholders produced 19 percent of the crops and livestock, by value, in 1988.

Tobacco and cotton are the major export crops. Fluecured and burley tobacco earned Z\$485,600 (US\$194,000) for the 1988-89 season. Livestock sales brought in Z\$303,000, cotton Z\$258,000, corn Z\$231,000 and sugar Z\$171,000.

More than half the cotton is exported as lint, but the remainder serves the country's growing capacity to spin, weave and sew garments. David Broomberg, chairman of Merlin Ltd. spinners and weavers, says research within the country has developed an excellent, hand-picked crop.

Gibson Mpabanga, senior general manager of Zimbabwe Banking Corp., says that the emphases in agriculture are exports, beneficiation of raw materials and top-quality production. For instance, the coffee crop is small, but of a high quality that is much in demand. Mr. Mpabanga says. Tobacco merchants also produce to international standards.

Some of the country's better investment opportunities lie in adding value to agricultural exports, according to Mr. Mpabanga.

The mix of commercial, communal, cooperative and resettlement farms has served the country well. A. M. Chambati, chairman of T.A. Holdings conglomerate, describes the policies that foster that mix as a pragmatic approach within the government's socialist concept.

"There is idealism and then there is reality," Mr. Chambati says. Crop and livestock earnings from communal lands increased more than ten-fold between 1980 and 1988. Yet commercial farmers "have never had it so good," he says.

In 1988, Pres. Robert Mugabe won the Africa Prize for Leadership for the Sustainable End of Hunger, which he described as "an award for the whole nation." The success owes much to the pro-agriculture policies his government has pursued since independence 10 years ago.

For the first time, thousands of peasant farmers had access to credit through the Agricultural Finance

Continued on Page 12

Investment Package Provides Incentives

Continued from Page 9

compete on a fair basis for exports."

Gibson Mpabanga, senior general manager of Zimbabwe Banking Corp., says, "We are venturing into unknown territory, borrowing heavily to finance programs without a guarantee that they will succeed. The ability of manufacturing to be self-supporting is very critical. If it's not achieved, there will be a serious debt problem."

Some business leaders urge the government to move faster to enable Zimbabwean industries to replace outdated machinery. Others, including A.M. Chambati, chairman of T.A. Holdings conglomerate, say cautious change is appropriate.

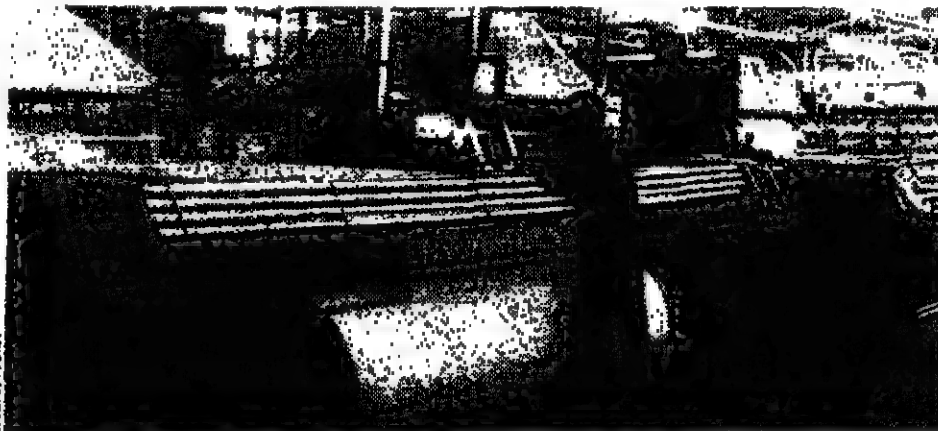
Zimbabwe inherited the tight economic controls Ian Smith's white-minority government imposed on then-Rhodesia in the 1960s to cope with international sanctions and guerrilla war. When Pres. Robert Mugabe was elected in 1980 under the first democratic constitution, Zimbabwe attracted aid but little foreign investment, although nationalization under his Marxist leadership turned out to be largely state purchase of abandoned or underused farms and businesses. Zimbabwe continues to combine socialism with pragmatism.

Other motivations include a national debt of nearly Z\$10 billion (US\$4 billion) due in part to government investment in education, health care and other social programs and to the cost of defense against South African destabilization and Mozambican civil war.

Mr. Mpabanga says: "In this country, unlike most, there has been very open and candid debate between government and industry and commerce."

Raymond Felton and John Robertson, managing director and chief economist of First Merchant Bank, say the motivation for liberalization is unemployment, "the major interface between politics and the economy."

Mr. Carter says that, unless investment in-



Merlin Ltd. spinning and weaving factory.

creases, education with-out employment could be a formula for unrest.

Zimbabwe's emphasis since independence on education produces 200,000 high school students a year to compete for an average of 10,000 new jobs. Major employers say certain labor laws, now being relaxed, deterred employers from expanding the work force.

J.M.D. Saungweme, Zimbabwe National Chamber of Commerce chief executive, says one must look to large-scale investment for employment. Small enterprises, which tend to employ only the family, will do little to meet the demand for jobs, he says.

Zimbabwean businessmen praise the country's skilled and hardworking labor force, the relatively developed infrastructure, the availability of local raw materials for manufacturing and the appealing climate. Long-term investors can count on the emergence of a sizable Southern African market in which demand already exceeds supply.

Investors can also look to Zimbabwe's rather sophisticated commercial, industrial, mining and banking sectors for business partners. Manufacturers and miners say they need up-to-date machinery and technology that will enable them to produce top-quality products efficiently. That will require foreign currency, but they say considerable capital can be raised inside the country.

"You can raise a billion Zimbabwe dollars here in two days," Mr. Saungweme says, "but it's useless if you don't have the

foreign exchange element."

Mr. Mpabanga says that, of the estimated US\$2.5 billion investment needed, three-fourths should be foreign exchange, about 60 percent of which would need to be raised offshore. The government has negotiated an African Development Bank line of credit for Z\$300 million, and financial institutions have ar-

ranged a US\$130 million credit facility with the International Finance Corp.

Businessmen say the formation in 1989 of the Zimbabwe Investment Center was a major step because it streamlined official procedures for potential investors. However, they say it must speed up decision making, now a maximum of 90 days, if it is to satisfy international investors.



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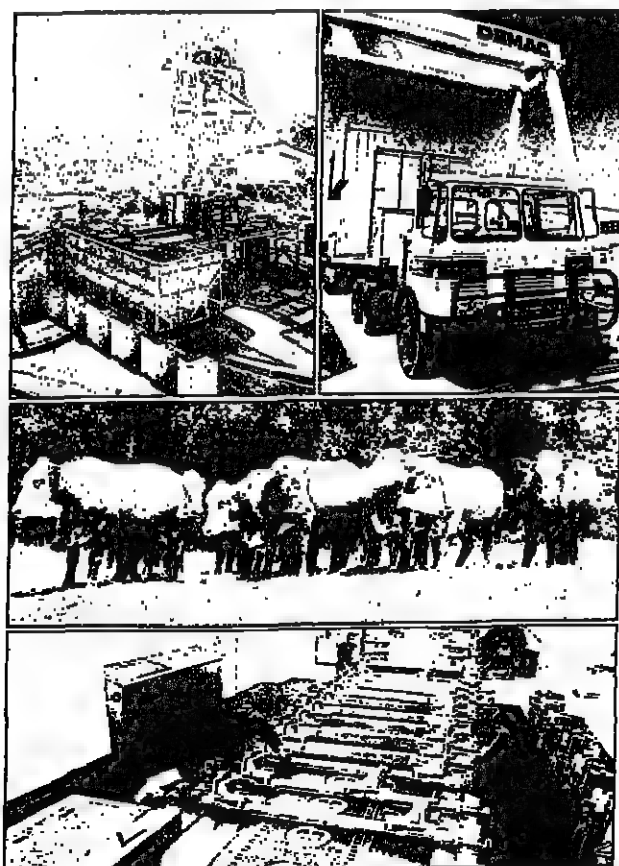
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ADVERTISING SECTION

'Quality' Tourism Protects Scenery and Wildlife

This year rangers have shot to death 28 poachers and lost just 27 rhino. Zimbabwe's conservation program, a measure of the government's seriousness about tourism, may be controversial in some circles, but it is also successful.

While rhinos and elephants have been decimated in many African

Tourism has increased 8 percent yearly since 1985

states, Zimbabwe protects the world's largest concentration of black rhinos — 2,000 — and an elephant population growing so rapidly that it must be culled.

The government simultaneously promotes and protects its natural sights, encouraging "quality" as opposed to mass tourism. Zimbabwe's attraction, however, extends well beyond the game parks that cover 12.5 percent of the country.

The best-known sight is, of course, the magnificent Victoria Falls, which send up huge clouds of spray that have created a small rain forest and perpetual rainbows in a dry region.

The thousands of visitors to the falls each year find a selection of top-quality hotels on the Zimbabwe side (the Zambian side is less developed), a casino and conference facilities for 500. One can cruise on the river above the falls or take a raft trip in the gorge below, visit the crocodile ranch or view the falls from a railroad line across the gorge or from a plane.

In the south central region lies another unique attraction. Great Zimbabwe, from which the former colony of Rhodesia takes its modern name, is the ruins of an African city that flourished between the 13th and 15th centuries, when gold dug from Zimbabwe's mines and

Zimbabwe is at war — with poachers trying to kill the country's rhinoceroses, elephants and other wildlife — and it looks like the poachers are losing.

traded with Arab merchants brought this Shona-Karanga civilization to prominence. Environmental depletion by the 10,000 inhabitants probably prompted the city's abandonment.

The ruins, now a national monument, encompass the Great Enclosure, which alone contains some 635,660 cubic feet (18,000 cubic meters) of stonework, making it sub-Saharan Africa's largest ancient structure. A conical tower 11 meters high dominates the Great House. The city's fierce-looking stone birds have become a national symbol; stone sculpture is modern Zimbabwe's most distinctive and active art. The remains of smaller stone cities can be viewed in the eastern highlands and near Bulawayo, the second largest city after the capital, Harare.

Landlocked Zimbabwe can't offer dazzling tropical beaches, but it entices lovers of water sports all the same. Lake Kariba, the 2,316 square-mile (6,000-square-kilometer) reservoir created by damming the Zambezi to produce Zimbabwe's and Zambia's hydroelectric power, offers many types of boating, fishing and game and bird viewing. A diverse group of lodgings, ranging from luxury hotels to safari camps, dots the lakeshore.

Unspoiled eastern Zimbabwe, where the high plateau breaks up into mountains and rugged country, challenges climbers and trout fishermen.

The rhino and elephant are but the elite of the African fauna in Zimbabwe's 10 national parks. One can choose Hwange (the largest, on the western border with Botswana),

the rhino havens along the Zambezi River or one of the smaller parks, reserves and safari areas. Accommodation ranges from top hotels to luxury bush camps, tree houses and independent camping. Gona-Re-Zhou National Park in the south-east, adjacent to a Mozambican park, is particularly rich in game and should attract many visitors once Mozambique settles its political conflict.

Hunting is allowed, under license and in prescribed areas. It is one of several ways that wildlife generates revenue for the rural population, thus encouraging conservation. Private game parks are permitted, and many animals have been translocated to farms for that purpose.

Zimbabwe received half a million visitors in 1989, nearly twice the total for 1980. Of the 504,000 last year, 411,000 came on vacation and 52,000 on business. Shepherd Nyaruwata, marketing director of the Zimbabwe Tourist Development Corp., says there has been an average annual increase in visitors of 8 percent since 1985.

Some 78 percent of Zimbabwe's visitors come from Africa, he says; nearly a quarter of the total are South African or Zambian. Average spending by visitors from overseas, however, is about five times as high and helps tourism to bring in much-needed foreign currency. Tourism's foreign exchange earnings rose from US\$6 million in 1977 to US\$22 million in 1987. Zimbabwe's new trade liberalization program encourages tourism development by granting the industry the maximum retention of foreign earnings — 7.5 percent — for new investment.

British and Irish tourists are the largest overseas group, then Americans and Canadians, Western Europeans, Australians and New Zealanders, and Asians. The number of Australians has risen by 35 percent a year since 1980.

Together with other members of the Southern Africa Development Coordinating Conference, Zimbabwe markets its tourist opportunities at major travel conventions in Europe and elsewhere. Mr. Nyaruwata says most overseas visitors prefer to see three or four African countries during one tour.

Air Zimbabwe, Qantas, British Airways and others have regular flights to Zimbabwe, but the government has thus far barred charters in order to avoid mass tourism. Within the country, transportation by air, rail or road is quite good. A new option for visitors is a safari by steam train, with elegant old coaches and dining service, from Bulawayo to Hwange National Park and Victoria Falls.

Jimmy Dhlwayo, a tourist development corporation director, says the Elephant Hills hotel at Victoria Falls is being completely rebuilt, at a cost of about Z\$150 million (US\$60 million). In the capital, the push is to increase hotel capacity to match the 4,000-person conference center next to the elegant Harare Sheraton. A new hotel, set for construction, will complement 17 existing hotels.

Zimbabwe is also developing culture tourism — opportunities for visitors to spend time with rural people and thus learn about their customs. Mr. Dhlwayo says it is already popular with black Americans.

This 11-meter-high tower dominates Great Zimbabwe.



Solid Agricultural Sector

Continued from Page 11

Corp. to purchase seed, fertilizer and other crucial inputs. The government more than doubled the number of crop collection points, establishing many in peasant farming areas. At least 1,500 advisers

were sent to remote regions to spread information on improved farming methods. And the country's strong agricultural research programs, which developed hybrids adapted to local conditions, spurred productivity on smallholdings and com-

mercial farms. Price controls have enabled the government to steer production.

A World Bank report described the improvements this way: "The Zimbabwean experience shows that if technologies are perceived as profitable and supportive agricultural services are available, smallholders will respond with increased production."

There are, of course, a few flaws in the system. Price controls can distort the market. And, with transportation costs high, it is sometimes inefficient to sell to marketing boards that then transport the produce back to the regions where it was grown. Like other parastatals, the marketing boards for meat, dairy products, grain and cotton are under government instructions to rationalize.

Zimbabwe inherited a two-tiered agricultural system from colonial Rhodesia. Under whites-only rule until 1980, a few thousand white commercial farmers owned half the country's land, and the better land at that. Blacks, now nine million, were crowded in the remaining lands and urban townships, or reduced to laboring on commercial farms. The guerrilla war and the drought hit peasant farmers hard.

The government made a commitment to resettling those displaced by the war: it acquired more than three million hectares (7.5 million acres) on which it settled more than 49,000 families and established 58 agricultural co-operatives. The current national development plan aims at resettling 75,000 families.

Weather remains a worry in Zimbabwe's drought-prone areas. Irrigation schemes are gradually being expanded in order to reduce the danger and increase production.

During the worst of the 1983-84 drought, the government provided food for some 800,000 people, 10 percent of the population at the time. Despite today's surpluses, however, researchers at the University of Zimbabwe say malnutrition runs as high as 30 percent among children in some areas. They advocate formulating a national policy on food to assist those poor enough to suffer even when the rains come.

Barbara Borst is an American free-lance journalist who has lived and worked in Africa.

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TO TV WAVES

In Touch with Tomorrow
TOSHIBA

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EUROBONDS

Defensive Stance Taken
In Dollar Bond Market

By Carl Gewirtz

International Herald Tribune

PARIS — Prices of dollar-denominated Eurobonds fell across the board last week, pushing up yields on increasingly shunned corporate debt as well as top-rated sovereign issues. Dealers said the declines were largely self-defensive mark-downs aimed at dissuading investors from trying to sell paper, rather than responses to outright massive selling.

Nevertheless, the defensive stance of dealers underlines the negative attitude investors now have toward the U.S. currency, which is expected to weaken further, as well as to dollar bonds. While there is little doubt U.S. interest rates will have to be lowered in response to the economic slowdown — normally good news for bondholders — investors appear to be concerned that such a move could lead to fears of inflation and actually push long-term rates higher.

U.S. corporate issues have been hit the hardest because of recession fears.

In a gloomy report issued last week, Moody's Investors Service said that the credit quality of American corporations declined "at a record pace during the first three quarters of 1990, portending a continuing rise in levels of corporate bond defaults" to "exceptionally high levels this year and over the next few years."

Moody's said that in the nine months ending in September, it has downgraded the credit rating of 308 U.S. bond issuers, nearly equal to the record 339 downgrades for all of last year. Only 79 companies were upgraded compared to 138 during all of last year.

The rating agency said that "so far rising oil prices have not been a major cause of downgrades, although that could change if oil prices continue to rise sharply and for a prolonged period."

Up to now, the credit downgrades were sparked by companies that had taken on huge volumes of debt during the 1980s and now were having trouble servicing those commitments.

But Moody's said a sustained high price of oil would put at risk companies that are heavy users of petroleum-derived products, as well as consumer-goods companies.

THE MOST OBJECTIVE MEASURE of how badly dollar Eurobonds have fared of late is the widening spread in yields relative to comparably dated U.S. government paper.

Data compiled by Credit Suisse First Boston shows that yields on four-to-five-year triple-A corporate Eurobonds had risen to 54 basis points over U.S. Treasury paper. A week ago that margin was 46 basis points and a month ago only 40 basis points.

CSFB says that "recession increases the risk of bankruptcy and quite logically pushes up corporate spreads."

But the same deterioration has been seen in top-rated sovereign debt where default is not in question. The spread on such five-year bonds now stands at 48 basis points, up from 42 a week ago and 40 a month ago. The deterioration is more glaring in longer-term nine-to-10-year issues, where the spread has widened to 60 basis points from 50 last week and a month earlier — clearly reflecting attitudes to the currency and worries about higher long-term rates.

Against this background, professionals were amazed that Citibank would elect to market last week \$845 million of five-year bonds collateralized by credit card receivables. While the bank has marketed two previous collateralized Eurobonds, its most recent issues have been global bonds.

Those U.S.-registered bonds were never very popular internationally, since non-U.S. holders need to file forms with the Internal Revenue Service in order to collect interest tax free. But in the current environment, bankers say a global bond drawing on U.S. demand would have been a more suitable structure.

But the previous Eurobonds were trading at much tighter spreads to Treasury rates than the global issues, a potential saving of some 25 basis points for Citibank. In addition, the lead manager, UBS/Phillips & Drew, believes there is ample liquidity available to buy high-yielding, high-credit paper.

UBS officials estimate that redemptions of existing Eurodollar bonds will total \$9 billion in the current quarter, easily triple the volume of the previous quarter, leaving a simple pool of liquidity looking for reinvestment. At the end of the week, UBS admitted to being "a fairly large position" of unsold bonds but insisted that it "feels comfortable that the paper can be placed."

Pricing on the bonds, carrying a coupon of 9 1/2 percent, was initially targeted for a yield of 85-to-90 basis points over Treasury rates, but the actual price, set at 99.60, gave a pick-up in yield of 99 basis points. But even this was not enough and the paper ended the week at a spread of 103 basis points at the offered price.

See BONDS, Page 15

The West Is Unlikely to Kick Its Gulf Oil Habit

By Tom Buerkle

International Herald Tribune

PARIS — Despite the shock waves generated by Iraq's invasion of Kuwait, the West's dependence on oil from the Gulf is likely to increase during the 1990s, according to oil industry analysts and executives.

The industrial countries have nowhere else to turn for a quick boost to supplies, and little chance of making major energy savings in the immediate future, the analysts said.

As a result, the West will remain vulnerable to political instability in the Middle East, and to the risk of another major oil supply crisis, for most of the rest of the decade.

"We should be prepared for more instability and for further price spikes," said Mehdi Varzi, senior oil analyst at Kleinwort Benson Securities in London.

With supply and demand tightly balanced even before the Iraqi invasion, most analysts said that nothing short of a severe recession was likely to reduce the risk of another oil shock.

Governments and consumers in the West have so far shown little willingness to slash their dependence on imported oil through sharply higher taxes or greater conservation. And it will take industry years to bring new oil supplies to market or to develop alternative energy sources.

Many analysts said President Saddam Hussein of Iraq had simply brought forward a price and supply crunch that had been widely expected for the mid- to late 1990s.

"A risk that was already there and growing has been demonstrated, and in large size," said David Gray, an oil analyst at James Capel & Co. in London. Mr. Hussein "has just accelerated something that would have happened anyway."

The worsening supply picture was underscored last winter when petroleum prices surged in response to cold weather that drove up demand in North America and Europe. "It was the first example of a genuine supply constraint since 1980," Mr. Gray said.

After the last oil shock, recession curbed demand in the West in the early 1980s and production surged in the North Sea, Alaska and Mexico. The non-Communist world's demand for crude from the Organization of Petroleum Exporting Countries plummeted from a peak of 30 million barrels a day in 1980 to 16 million barrels in 1986.

This time, however, there are no big non-OPEC supplies ready to come on stream. Most analysts and oil executives said non-OPEC producers would be working hard in the 1990s just to keep their overall production from falling.

As a result, OPEC should gain market share by meeting a growth in world demand for oil of 1 to 2 percent a year, said Paul Tempest, a senior executive at Shell International Petroleum.

The continued dependence on the Gulf reflects the simple fact that the region sits atop the bulk of the world's oil reserves, Mr. Tempest said. According to the Institut Français du Pétrole in Paris, 66 percent of the world's proven reserves are in the Middle East, including 90 percent of reserves that can be produced at a cost of less than \$4 a barrel.

John Sauer, chief energy economist for Conoco Inc., said the invasion of Kuwait had cast doubt on whether Iraq, Kuwait and Saudi

See OIL, Page 15

U.S. Plans
New Farm
ProposalEffort to Advance
Talks on Trade

By Clyde Farnsworth

New York Times Service

WASHINGTON — In an effort to unblock world talks on free trade, the United States will call for cuts of 90 percent in farm export subsidies and 75 percent in farm income supports over 10 years under a plan to be presented Monday in Geneva.

In a bow to the European Community, the new proposal modifies a stand taken a year ago when Washington called for ending all export subsidies over five years.

"This is the final phase of the negotiations, and we're trying to move the ball forward," said a senior administration official who insisted on anonymity.

Yet even with this concession, Washington and Brussels are still sharply divided. The EC — responsive to a vocal farm community that is five times as large as that in the United States — is promoting an alternative that would trim supports by only 30 percent and do little about Washington's main target, export subsidies.

Hit by drought and declining prices, European farmers are fighting any significant cuts in the overall level of Community support.

The U.S.-EC division over what to slice from the \$250 billion a year in worldwide farmer-protection programs has checked progress in the Uruguay Round meetings.

The talks among 106 countries, held under the auspices of the General Agreement on Tariffs and Trade, started in 1986 and are due to wind up in two months.

Success hinges on complex trade-offs struck by groups of countries. For example, Third World countries are refusing to open their markets to financial services from industrialized countries without opening up industrial countries for Third World food products.

The stakes are high. The lower trade barriers that could result from successful conclusion of the Uruguay Round would add \$300 billion, or 5 percent, to gross output of the American economy by the end of this decade, according to a study made by the Stern Group, a trade advisory firm, for a group of multinational company backers of the trade round.

U.S. Trade Representative Carla A. Hills has calculated that the liberalization would boost American exports to developing countries by \$200 billion over the same period.

Yet collapse is threatened by the gap in agriculture. Even with the new American proposal, the gap is so wide, according to Dale E. Hathaway, former undersecretary of agriculture, that "only heads of state now can bridge it."

Although President George Bush has termed the Uruguay Round his highest trade priority, he has also threatened to pull the United States out of the talks if they do not win meaningful cuts in global farmer protection.

Genscher
Urges Early
Move on
EC Union

Reuters

WUPPERTAL, Germany — The second stage of European monetary union should coincide with the creation of a single European market in 1993, Foreign Minister Hans-Dietrich Genscher of Germany said Sunday.

Emphasizing the split between the Bonn government and the Bundesbank on the issue, Mr. Genscher said, "The second stage of economic and monetary union must come into effect on Jan. 1, 1993."

The Bundesbank president Karl Otto Pöhl opposes setting a date for the second stage of union, in which governments are to transfer sovereignty over monetary policy to supranational institutions.

"The common internal market, which will become a reality on Jan. 1, 1993, can only unfold fully when we also have one economic, financial and monetary policy as well as one European currency," Mr. Genscher said.

He added that there was broad agreement between European Community governments on the key aims of economic and monetary union, such as the creation of a single, independent European central bank.

He also welcomed last week's entry by Britain into the Exchange Rate Mechanism of the European Monetary System as an important step towards European currency union.

Last week, EC finance ministers in Luxembourg said there were indications an agreement could be reached on the timing of the second stage of monetary union and monetary policy by Spain and the Netherlands to start the phase no later than January 1994.

■ Spending Cuts Urged

Germany must cut public-sector spending, rather than raising taxes, to finance the cost of unification, the Bundesbank director Hans Tietmeyer told the weekly German newspaper *Frankfurter Allgemeine Sonntagszeitung*, Reuters reported.

Echoing calls from Mr. Pöhl, Mr. Tietmeyer said in an interview that, "There are still considerable possibilities to cut public-authority spending."

Chrysler and Union on Collision Course

By Doron P. Levin

New York Times Service

DETROIT — Claiming the company has no money to meet union wage demands is a time-honored tactic of collective bargaining. But this time there seems to be little doubt that Chrysler Corp. management is telling autoworkers the truth about its precarious position.

If Chrysler agreed to a labor contract such as the one approved in recent weeks by General Motors Corp. workers and Ford Motor Co. negotiators, the company says its labor costs would rise significantly at a time when it already has the highest labor costs in the industry.

Chrysler and the United Automobile Workers began high-level bargaining last week.

With sales and profit flagging, the No. 3 automaker is struggling to conserve financial resources for the next two years until it can bring out a crucial new midsize car that it hopes will put sales back on track. (Truck sales may get a boost from a recently introduced minivan and a Jeep slated for next year.)

But the Gulf crisis and the possibility of a deep recession have raised the likelihood that Chrysler's financial will be stretched more than was anticipated in July, when it told the UAW to consider accepting a less expensive contract.

While labor costs alone will not drive Chrysler to the brink, "they will have been a nail in Chrysler's coffin if the company dies," said Ronald Glantz, an analyst for Dean Witter Reynolds in San Francisco.

Analysts generally believe Chrysler has a good chance to survive, but agree with the company's own assessment that it must find a partner to share the enormous cost of developing new models.

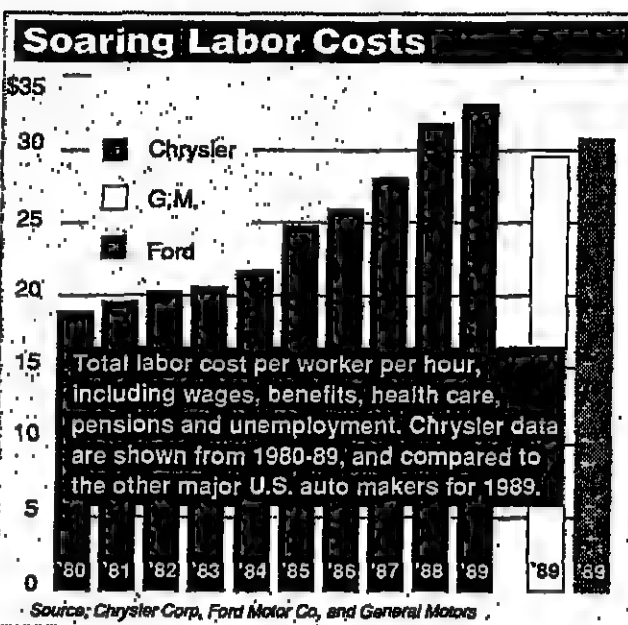
An expensive labor contract may make Chrysler less attractive to a potential partner, Mr. Glantz said. He thinks Chrysler is close, however, to a broad development, production and distribution agreement with Fiat SpA but may be waiting to conclude a labor contract before signing the pact.

Lee A. Iacocca, the chairman of Chrysler, after leaving what he called "a nice, lively session" with union bargainers, declined Thursday to reveal precisely what he had said. "I did not plead poverty," he told reporters.

But a Chrysler spokesman who had seen an outline of Mr. Iacocca's speech said, "He was going to tell them it will be nice if a contract says they are supposed to be making a lot of money three years from now, but a contract won't help anyone if we're not in business."

For the record, the union would not talk about the session either. Privately, however, union officials are far from sympathetic to Chrysler's problems, which they acknowledge are real.

Soaring Labor Costs



They believe that hourly workers have sacrificed disproportionately in the decade since Chrysler nearly went bankrupt.

If they were to accept lower pay and benefits, Chrysler workers contend, they would be accepting the blame for management ineptitude.

Mr. Iacocca, who concedes he made some strategic blunders,

meanwhile is trying to cut \$2.5 billion in costs, quickly develop new products and stem an exodus of executives.

Although Chrysler workers receive roughly the same pay and benefits as union workers at Ford and GM, Chrysler's labor costs are higher because it has a proportion-

See CHRYSLER, Page 17

World Bank Expected to Make Loan to Tehran

By Philip Shenon

New York Times Service

WASHINGTON — The World Bank is expected to lend as much as \$500 million to Iran next year, in the bank's first loan to the Islamic republic since its founding in 1979.

Urgency and its bankers have a debt record. Page 15.

Islamic revolution, American officials and banking specialists said. American officials said Friday that the Bush administration hoped that the loan would offer it leverage to prevent Iran from violating the UN embargo imposed on Iraq after the invasion of Kuwait.

The loan would be used to rebuild areas of Iran devastated by an earthquake last summer.

"If Iran was suddenly to break the embargo on Iraq, then obviously we'd oppose any World Bank lending to Iran," an American official said. "For now, we will not oppose it."

Although the United States does not have veto power on World Bank loans, it could almost certainly round up enough Western support to block a loan to Iran.

Banking specialists said Iran's request for the loan was an important signal of its intention to resume involvement in world financial markets, and of its desire to improve relations with the United States and other Western nations.

For the first 10 years after the fall of the Shah in 1979, Iran did not seek international loans, fearing that borrowing from the West could pose a threat to the nation's independence. Iran has made requests for loans from private Western banks in the last year.

Banking experts said they understood that the earthquake relief loan would be the first substantial loan to Iran under the Islamic government from the International Monetary Fund or the World Bank, the two giant international lending agencies.

"There is great psychological significance in this," said Sharif Ghalib, director of the Africa and Middle East department of the Institute of International Finance, a Washington-based research group. "The loan itself is not as important as the signal it sends that Iran wishes to return to a financial and technical relationship with the West."

American officials and banking authorities said they understood that the loan would be approved by the World Bank later this year or early next year.

It would be intended for housing reconstruction in a coastal area along the Caspian Sea, which was left in rubble after the June earthquake.

Nearly 35,000 people are said to have died.

Peter Roldberger, a spokesman for the World Bank, said it had recently sent a delegation to Iran "to investigate the feasibility of an earthquake reconstruction loan."

"Some of the members of that team are back in town now and are assessing their findings," he said. "It seems like things are moving along at a fairly normal pace and perhaps by the end of the year, there would be a proposal for a reconstruction loan."

He said he could not predict whether the loan would eventually be approved by the bank's executive board.

In international financial circles, Iran is seen as a relatively good credit risk, especially after the dramatic jump in the price of oil that followed the Iraqi invasion of Kuwait in August.

Although President George Bush has termed the Uruguay Round his highest trade priority, he has also threatened to pull the United States out of the talks if they do not win meaningful cuts in global farmer protection.

CURRENCY RATES

Cross Rates									
	\$	DM	FF	Yen	DM	FF	Yen	DM	FF
Australian	1.72	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27
British	1.72	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27
Canadian	1.72	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27
French	1.72	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27
German	1.72	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27
Italian	1.72	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27
Japanese	1.72	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27
Swiss	1.72	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27
U.S.	1.72	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27

Closed in London and Zurich, trading in other centers. New York closing rates, Toronto rates of 3 p.m.
 a) To buy one pound; b) To buy one dollar; c) Units of 100; N.A. not quoted; N.A. not available.

Other Dollar Values

Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
Australian	1.72	British	1.72	Canadian	1.72	French	1.72
German	1.72	Italian	1.72	Japanese	1.72	Swiss	1.72
U.S.	1.72						

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Paribas (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR); Reuters (London). Other data from Reuters and A.P.

Last Week's Markets

All figures are as of close of trading Friday									
Stock Indexes					Money Rates				
	Oct. 12	Oct. 5	Chg.						
DJ Indus.	2,386.02	2,518.64	+122.62	3-month	7.00	7.00			
DJ Ind.	255.58	255.42	-0.16	Prime rate	10.00	10.00			
DJ Ind.	829.70	866.31	+36.61	Federal funds	7 1/2	8.00			
S & P 500	284.23	295.47	+11.24	3-month	6.00	6.00			
S & P 500	300.82	311.50	+10.68	Call money	7 1/2	7 1/2			
S & P 500	357.52	367.02	+9.50	3-month interbank	8 1/2	8 1/2			
Nikkei	14,470	14,470	0	London	8.00	8.00			
FTSE 100	2,100.40	2,143.90	+43.50	Call money	8.10	8.10			
FTSE 100	1,820.10	1,801.70	-18.40	3-month interbank	8.00	8.00			
Nikkei 225	22,290	22,280	-10	Bank base rate	14.00	15.00			
DAX	1,459.70	1,391.76	-67.94	3-month interbank	13 1/2	14 1/2			
Hong Kong	2,515.26	2,850.45	+335.19	Gold	Oct. 12	Oct. 5			
World	442.68	445.50	+2.82	London 9 p.m. fix	388.25	385.40			
MSCI									

World Index from Morgan Stanley Capital Int'l.

Japan's New Strategy: Low-Profile Deals

By David E. Sanger

New York Times Service

TOKYO — Japan is buying abroad faster than ever. But suddenly, it is buying small.

This year, Japan's direct investments abroad will total an estimated \$55 billion, up 25 percent from 1989. Now, however, it is acquiring small firms and technologies, putting less at risk but building an ever-deeper infrastructure to support its late-1980s boom.

The new strategy seems bound to solidify Japan's position in the United States and in Europe, where serious Japanese money is also starting to flow.

More important for the Japanese, lots of smaller acquisitions may attract less attention than a few big ones.

That is not to say all big deals have been abandoned. Matsushita Electric Industrial Co., the giant consumer-electronics maker known in the United States for Panasonic products, is negotiating what may be a \$7 billion takeover of MCA, the owner of Universal Studios and one of the recording industry's biggest labels.

And sometime in the next few months, the faltering American auto industry will have a new car plant. Toyota Motor Co. executives are mulling over the politically proper site for a huge new plant, which has scores of Toyota suppliers in Japan and politicians in several state capitals salivating.

But while such mega-acquisitions and new plants seem familiar,

New International Bond Issues

Compiled by Andrew Register

Issuer	Amount (millions)	Maturity	Coupon %	Price	Yield	Terms
Floating Rate Notes						
Compagnie Bancaire	Fr 800	1997	libor	99.75	99.70	Interest will be the 3-month Libor, Redeemable at par in 1992. Fees 0.12% (Compagnie Bancaire)
Ferrovie dello Stato	It 500,000	2000	libor	101	100.35	Interest will be the 6-month Libor, Callable at par from 1992. Fees 0.70% (Banca Nazionale del Lavoro)
Fixed-Coupons						
All Nippon Airways	\$100	2000	9%	102	—	Noncallable. Fees 2% (Denominations \$10,000, (Daiwa Europe))
Euro Credit Card	\$845	1995	9%	99.80	99.80	Noncallable. Fees 0.25%, (UBS/Paribas & Dresdner Bank)
European Coal and Steel Community	\$153	1998	9%	101%	99.73	Noncallable. Fees 2% (Mitsubishi Finance Int'l)
Toyota Motor Finance (Netherlands)	\$230	1994	9	101.425	99.25	Noncallable. Fees 1.5% (Nippon Int'l)
Nationwide Anglo Building Society	£ 50	1995	14	100	—	Semiannually until 1992 then 22% has 6-month Libor. Noncallable. Fees not disclosed. Denominations £1 million. (Citibank Investment Bank)
Ferrovie dello Stato	It 300,000	1995	12	101%	100.10	Noncallable. Fees 1.5% (Banca di Napoli)
Credit Lyonnais	ECU 150	1993	10%	101.35	99.98	Noncallable. Fees 1.5% (Credit Lyonnais)
Government Insurance Office of New South Wales	Aus\$ 50	1993	14%	101.95	100.45	Noncallable. Fees 1.5% (Westpac Banking)
New South Wales Treasury Corp.	Aus\$ 1,000	2020	zero	2%	2.85	Yield 12.73%, Noncallable. Proceeds Aus\$27.4 million. Fees 0.50% (Mitsubishi Bank)
Deutsche Bank Finance	¥ 5,000	1994	10	101%	—	Coupon will be 10% in first year, 8.40% in second year and 6% thereafter. Noncallable. Fees 1.5% (Daiwa Europe)
Tokyo Land Corp.	¥ 20,000	1995	8%	101%	—	Semiannually. Noncallable. Fees 1.5% (Denominations 10 million yen. (Nippon Int'l))
Toyota Motor Credit	¥ 20,000	1993	8%	101%	—	Noncallable. Fees 1.5% (Daiwa Europe)
Equity-Linked						
Bando Chemical Industries	\$100	1994	open	100	100.25	Coupon indicated at 5.5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Oct. 16. (Nippon Int'l)
Citizen Watch	\$200	1994	open	100	102.50	Coupon indicated at 5.5%. Noncallable. Each \$10,000 note with two warrants exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Oct. 16. (Nippon Int'l)
Fujitsu	\$100	1994	open	100	101.25	Coupon indicated at 5.5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Oct. 16. (Nippon Int'l)
Mizuno	\$100	1994	open	100	102.38	Coupon indicated at 5.5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Oct. 17. (Nippon Int'l)
Neituen	¥ 50	1994	5%	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1.11% per share and of 130.70 yen per dollar. Fees 2.5%. (Daiwa Europe)
Shinko Electric	¥ 110	1994	5	100	99.75	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 69 yen per share and of 130.70 yen per dollar. Fees 2.5%. (Nippon Int'l)
Mizuno	DM 70	1994	open	100	—	Coupon indicated at 5.5%. Noncallable. Each 5,000-mark note with five warrants exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Oct. 16. (Nippon Int'l)
Sodick	DM 100	1994	5%	100	—	Noncallable. Each 5,000-mark note with five warrants exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Oct. 18. (Nippon Int'l)
Unihika	DM 75	1994	open	100	—	Coupon indicated at 5.5%. Noncallable. Each 5,000-mark note with five warrants exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set Oct. 13. (Daiwa Europe)

OIL: Increase in Demand by West Seen in Years Ahead

(Continued from first finance page)

Arabia could expand their output substantially to meet world needs, as he had been expecting.

Mr. Sauer now sees the price of a barrel of oil settling in the mid-to-upper-\$20 range when the Gulf crisis is resolved, as much as five years sooner than would have happened otherwise. That has prompted Conoco to step up exploration spending modestly this year, he said. Still, he cautioned that it can take as long as 10 years to find new oil fields and bring them on stream.

Other major oil companies, after years of spending cutbacks, are reluctant to increase their multiyear exploration plans based on a two-month-old jump in prices. Robert Horton, chairman of British Petroleum Co., said recently that oil prices would have to stay at \$35 to \$40 a barrel for more than six months to stimulate exploration.

With the outlook for new supplies weak, the only way to reduce dependence on the volatile Middle East is to cut back on oil consumption. The record of the industrial countries so far is not encouraging, though, analysts said.

"There is no sign of governments doing anything other than to exert oil companies not to put up gasoline prices," Mr. Gray said. The inability of the United States to adopt a proposed 12-cent-a-gallon gasoline tax, which would have had little impact on consumption, shows how difficult it is to take decisive action, he said.

Mr. Sauer said the Gulf crisis has demonstrated the need for "shock absorbers" such as strategic petroleum reserves. The United States, Japan and Germany should consider boosting their reserves and coordinating plans to use them in an emergency, he said, while other countries without sizable reserves should build them.

Joel Couse, senior energy economist for DRI-McGraw Hill in Paris, said the Gulf crisis is not likely to spur big new conservation efforts. Many of the painless savings have been made already by substituting gas and coal in factories and power generation, he said. Oil today is largely a transportation fuel with few alternatives, and transportation growth slightly exceeds overall economic growth in the industrial countries, he said.

In the long run, Mr. Couse said, efforts to cut oil consumption and reduce dependence on the Middle East will be driven more by environmental reasons, such as cutting emissions of "greenhouse" gases. He noted that the European Commission is studying proposals to tax energy based on its emissions of such gases.

"The environment is long term," he said. "There are no short-term solutions."

DOLLAR: Loss of Faith Is Expected to Force Plunge

(Continued from page 1)

States monetary policy has been eased and more is expected.

"This creates the suspicion that in the surplus countries inflation concerns outweigh the dedication to the adjustment process, and in the United States policymakers are more concerned with economic growth than restraining imbalances."

These shifts "create potential for perceived policy conflicts," he said. Acknowledging that "so far, both the imbalances and the perceived degree of conflict are muted by comparison" with the situation in the autumn of 1987, Mr. Lipsky maintains that "policy conflict was a major factor undermining market confidence then" and adds that "the notion of some degree of conflict has been clear since the G-7 meeting in Washington last month."

Despite the gloomy view of analysts, the dollar has not yet collapsed. It is weak, having last week touched a record low of 1.5120 Deutsche marks before ending the week at 1.5240 DM. It also traded at an 18-month low of 128.50 yen before finishing at 129.05.

But analysts believe the expected storm will hit once the situation in the Gulf has been settled and the price of oil returns to a more normal level of around \$20 a barrel from almost \$40 now.

The oil price is significant because the near doubling since Iraq's annexation of Kuwait means the world needs twice as many dollars as previously to pay for it.

Jonathan Wilmut of Credit Suisse First Boston loosely estimates the effect at an extra \$20 billion per month.

"Most of those oil receipts will be recycled to the United States to pay for the military presence, or be kept in dollars," he added.

Arnold Simkin, an analyst for London-based Stratelco, questions whether there is a threshold — perhaps a sustained price over \$50 a barrel — beyond which the extra demand for dollars could cause the currency to rise in value. In any event, analysts believe that a sustained decline in the price of oil will signal the start of the dollar's sharp fall.

The Japanese, who have amassed a huge portfolio of dollar assets since 1983, are yet another factor to consider in assessing the currency's outlook.

Although in the first half of this year the Japanese started to unload dollar holdings — they were net sellers of an estimated \$8.9 billion worth of securities — Richard Koo of Nomura Research Institute in Tokyo believes that the temptation to sell and repatriate funds for the first half of the fiscal year ended

last month was tempered by the dollar's decline.

"The dollar's decline has done a great service to financial markets because to some degree it prevented Japanese investors from rushing to cash in their profits," he said.

"Sure, there was some selling — but much less than if the dollar had been worth 160 yen."

On the other hand, Mr. Koo said, "what kept the market in good shape, if pushed too far, could become a destabilizing factor if Japanese investors feel pushed to cut their losses and get out before it's too late. That could happen if the dollar falls to 125 yen and appears to be heading down to 110 yen."

Mr. Chertkov of Citibank is forecasting continued appreciation of the yen. Last week's break through the key support rate of 130 yen, he said, "strengthens our bullish medium-term view for the yen against the dollar."

"Assuming that the Deutsche mark remains above 1.50 to the dollar, we expect the yen to appreciate towards 120 per dollar. However, a dollar move to 1.40 DM would imply an appreciation of the yen below 115 per dollar."

Citing "very significant support" for the dollar between 1.4975 and 1.5150 DM, Mr. Chertkov said he was hesitant to call for a further significant decline of the dollar against the mark.

Gulf Worries Spur U.S. Rate Boost

Compiled by Our Staff From Dispatches

NEW YORK — U.S. interest rates rose last week as uncertainty over the budget and events in the Middle East continued to roll the credit markets.

The bellwether U.S. government bond issue, the 8.75 percent bonds that mature in August 2020, closed

Friday at 97 28/32 to yield 8.95 percent. That yield was up sharply from 8.78 percent a week earlier.

Dealers said the market remains highly sensitive to news not only from the Gulf and from Washington, but also to the latest economic data and to the foreign exchange markets, where the dollar has fallen sharply.

Analysts said that the market has been buffeted by so many rumors from the Gulf recently that many investors have moved to the sidelines.

"You would think Saddam Hussein was trading bonds," said Jay Goldinger at Capital Insight, an investment advisory firm in Beverly Hills, California.

The draw-out budget talks have also left markets wary.

"There have been so many false starts on the budget," said Robert Chandra, chief economist at Lloyds Bank PLC.

"The market has gotten quite cynical about the budget," said Michael Casey, economist at Maria Ramirez Capital Consultants Inc.

Uruguay Restructures Bank Debt

New York Times Service

NEW YORK — Uruguay and its commercial bankers have announced an initial agreement to restructure the country's \$1.6 billion in foreign bank loans, including provisions to reduce its debt.

The debt accord, announced on Friday in New York, is the sixth reached under the Bush administration's strategy, known as the Brady Plan, aimed at reducing the debt burden of developing countries. The strategy is named for Treasury Secretary Nicholas F. Brady.

The first agreement with significant debt reduction was reached with Mexico last year.

William R. Rhodes, senior executive international at Citibank, the head of the bank advisory committee, said the agreement "should strengthen the hand of the president of Uruguay in his effort to restructure the economy and privatize state companies."

Under the plan, banks can choose between two debt-reduction options or a plan to provide new loans.

One debt-reduction option reduces the interest rate on existing loans to 6.75 percent.

Uruguay will also set up a fund that will guarantee the interest payments, an enhancement for the banks that has become a fixture in Brady Plan deals.

Under the second option, Uruguay will propose to buy back existing loans at a discount.

Euromarkets At a Glance

Eurobond Yields

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NASDAQ NATIONAL MARKET

OTC Consolidated trading for week
ended Friday, October 12

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100s High Low Close					100s High Low Close					100s High Low Close				
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(Continued on next page)

MONDAY SPORTS

Like Old Times: Reds Versus A's

By Joseph Durso

New York Times Service

CINCINNATI—The Cincinnati Reds, having spent a day savoring their first National League pennant in 14 years, regrouped Sunday to prepare for the biggest hurdle of all: the Oakland Athletics, whom the Reds will play here Tuesday in the first game of the 87th World Series.

"I haven't had much time to plan for Oakland or even to think about Oakland," said Lou Piniella, the manager of the Reds. "But I know one thing from my years in the American League: They're the best team in baseball."

This will be the first meeting between the teams since 1972, when the Athletics defeated the Reds in a seven-game series that ended with Catfish Hunter pitching the A's to a 3-2 victory.

Those were the days when the Big Red Machine dominated the National League and Charley Finley's fusing and feuding A's ruled the American. And now they are back, the A's on a new roll of dominance and the Reds reviving their fortunes after 14 years of no championships.

Piniella, whose team went six games to win the pennant from the Pittsburgh Pirates, said that he would open at Riverfront Stadium with Jose Rijo, who pitched into the sixth inning of the opening game of the playoff and came back to win the fourth game last Tuesday. Rijo will be working on one week of rest.

The Reds' manager was vague about his pitching plans after that. If he sticks to the three-man rotation that worked the playoff, he will follow Rijo with Tom Browning, then Danny Jackson.

Piniella called a team workout for Sunday afternoon, hours before the Athletics were expected to arrive in town.

"Our advance scout, Jim Stewart, has been watching Oakland for some time," Piniella said.

"I'll get his report and read it, then we'll sit down tomorrow and decide what to do."

"But don't forget, I come from the American League and I've seen them play a lot over the last few years. They have a well-balanced team, and they can beat you with pitching and defense as well as power."

Piniella spent 11 years playing for the New York Yankees and most of three years serving as their manager, and even played the rotating role of Yankee general manager for seven months. He signed as manager of the Reds last Nov. 3, and recalled that he had told Marge

'I know one thing from my years in the American League: They're the best team in baseball.'

Lou Piniella, manager of the Reds, speaking of the A's

Schott, the owner of the Reds: "I didn't come here to manage, I came here to win."

After the Reds stopped the Pirates on one hit Friday night, surviving an adventurous ninth inning to win, 2-1, Piniella said, "I've repaid my debt in some way."

He acknowledged that he had several aces up his sleeve throughout the playoff, and that his names were Norm Chadler, Rob Dibble and Randy Myers, the Nasty Boys of the Reds' bullpen. Those three set a National League playoff record by saving all four of the team's victories, matching the record set in 1988 by the Oakland bullpen in the American League.

Dibble, who throws pitches at 100 miles an hour (160 kilometers per hour), worked four

times for a total of five innings, allowed no hits, struck out 10 of the 16 batters he faced and saved one game.

Randy Myers pitched four times for a total of 5½ innings, gave up two hits and no runs, struck out seven batters and saved three games.

Chadler worked four times and allowed one run and four hits in five innings.

Shortly after Myers struck out Don Slaught on Friday night to end the playoff, he and Dibble were named co-winners of the award for the most valuable player.

The Reds will get their shot at Oakland because they survived a final round by Jim Leyland, the Pittsburgh manager, who pulled a surprise and scratched his best left-handed pitcher, Zane Smith, in the sixth game and instead went with a relief pitcher, Ted Power.

"This is not a trick," Leyland said before the game. "I'm not trying to be smart. I'm just trying to be creative. We've got 11 pitchers, and I want to start a right-hander against the Reds."

Leyland admitted that his decision was made two days before the game. The main factor was that Smith gave up five runs in five innings when he started on Monday against the Reds, who won 37 games and lost only 24 against left-handed pitchers this season.

Leyland put Smith into the game in the third inning, anyway, after 40 pitches from Power. Smith became the losing pitcher when the Reds scored the deciding run in the seventh inning.

That was when Piniella made the moves that counted. Pinch-hitter Ron Oester got a leadoff single and took third on a single by Billy Hatcher. Then Piniella made his most daring move: he removed his leading hitter of the playoff, Paul O'Neill, who had eight hits in 17 times up, and replaced him with a pinch hitter, Luis Quinones, who had grounded out in one appearance in the playoff but had delivered 13 clutch hits during the season.



After Glenn Briggs made a leaping catch over the right field fence to save the game for the Reds, he was buried under celebrating teammates. Barry Larkin's smile said it all.

Quinones lined a 3-and-2 pitch over first base for a single, a run and eventually a pennant.

But one more adventure remained. In the ninth, Carmelo Martinez smacked a long drive to right-center that looked like a two-run home run. But Glenn Briggs, who had replaced O'Neill in right field just an inning earlier,

made a leaping catch over the fence to save the game for the Reds.

"I thought it was a home run," Leyland said, a bit wearily. "I thought it was a home run at first," Briggs said. "But when I started going back, I felt I had a pretty good chance to get it."

SCOREBOARD

Playoff Box Score

NATIONAL LEAGUE

REDS 5, PIRATES 1

PITTSBURGH

CINCINNATI

GAMES

Kline 3b

Ryvold 1b

Balt 2b

Vandivort 3b

Bonds 1b

Harris 2b

Smith 3b

Lind 3b

Smith 3b

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SATURDAY'S RESULTS

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SATURDAY'S RESULTS

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MONDAY SPORTS

Another No. 1 Bites the Dust: Michigan State Tops Michigan

By Malcolm Moran

New York Times Service

ANN ARBOR, Michigan — A disputed but unsuccessful pass by Michigan for a two-point conversion, with six seconds remaining in a frantic fourth quarter, gave Michigan State a 28-27 victory over the top-ranked Wolverines.

The play Saturday came when Spartan cornerback Eddie Brown challenged Michigan receiver Desmond Howard. It followed a seven-yard scoring pass from Elvin Grbac to Derrick Alexander that brought the Wolverines within a point.

After the crowd of 106,188 commanded the Wolverines to go for a victory with a chant of "Twooooo," Howard lined up to the left and cut inside Brown as Grbac looped the pass into the end zone.

Brown appeared to grab Howard's left foot from behind, knocking the receiver off balance just before the ball arrived. For an instant, Howard held the ball — and, victory, and another week's top ranking — as he twisted in the air. But the ball popped loose when Howard landed on his back, and the Spartan lead was intact.

"He grabbed me and he turned me to the side," Brown said of Howard. "Once he got inside me, I gave him a push. When I was going down, I swiped at him. I don't know if I got him, but I swiped. If it was interference, I thought it would go the defensive way, because I got the last push."

Michigan (3-2) had one final

chance when Vada Murray recovered an onside kick at the Spartan 47. Grbac threw a long pass, which arrived at a crowd of players inside the five. The ball was deflected and intercepted by Brown.

Tico Duckett's nine-yard touchdown run, with 1 minute, 59 seconds to play, had given Michigan

COLLEGE FOOTBALL

State (2-2-1) a 28-21 lead. A 95-yard kickoff return by Howard had tied the score with 5:50 to go and added even more confusion to a season in which two No. 1 teams had already been defeated.

In other games, The Associated Press and United Press International reported:

No. 3 Miami 34, Kansas 0: The Hurricanes (4-1) scored on six consecutive possessions in Miami. Craig Erickson passed for 229 yards and one touchdown.

Before the game, a fight broke out among players from both teams when the Hurricanes walked through the area where the Jayhawks (1-4-1) were warming up. No penalties were assessed, and no one was seriously hurt.

Texas 14, No. 4 Oklahoma 13: Peter Gardner threw a 16-yard touchdown pass to Keith Cash on fourth and seven with two minutes to play and the Longhorns (3-1) sent Oklahoma (5-1) to defeat in Dallas. Oklahoma's R.D. Laskar hooked a 47-yard field goal kick wide left as time expired.

No. 5 Tennessee 45, No. 9 Florida 3: Dale Carter's 91-yard return of the second-half kickoff in Knoxville, Tennessee, began a 28-point third quarter that included a 41-yard touchdown pass by a tight end, Von Reeves.

Tennessee (4-0-2 overall, 2-0-1 in the Southeastern Conference) gained the largest margin of victory in 20 games between the schools since 1916. The Gators dropped to 5-1 and 3-1.

No. 6 Auburn 56, Vanderbilt 6: Stan White threw two touchdowns passes to Greg Taylor, and the Tigers' special teams scored on a blocked punt and a punt return in Auburn, Alabama. Auburn (4-0-1) built a 42-6 halftime lead and finished with 518 yards total offense.

No. 7 Nebraska 69, Missouri 21: Mickey Joseph ran for four touchdowns in the first half and threw for another as Nebraska (6-0) secured its 29th straight winning season.

No. 8 Notre Dame 57, Air Force 27: Rick Mirer passed for 253 yards, and Dorey Levens and Ricky Watters each scored two touchdowns for the Irish (4-1) in South Bend, Indiana. Rocket Ismail caught six passes for 172 yards, including one for a touchdown.

No. 11 Illinois 34, Purdue 6: Jason Verduzco passed for 329 yards and two touchdowns to lead the Illini (4-1) in Champaign, Illinois. Fullback Howard Griffith, the nation's leading scorer, accounted for a two-yard touchdown before leaving the game with a neck injury early in the second half.

No. 12 Houston 34, No. 20 Texas A&M 31: Chuck Witherspoon scored his second touchdown on a one-yard dive with 20 seconds left as Houston (5-0) rallied at home.

No. 13 Brigham Young 52, Colorado State 9: In Provo, Utah, BYU quarterback Ty Detmer threw for four touchdowns and 316 yards, his 13th straight game of more than 300 yards of total offense.

No. 14 Colorado 28, Iowa State 12: Darian Hagan, not expected to play because of a sprained shoulder, directed Colorado (5-1-1) to touchdowns on three of four possessions in Boulder, Colorado. The Buffaloes' Eric Bienemy ran for 131 yards and a touchdown before leaving with an injured shoulder.

No. 18 Georgia Tech 24, No. 15 Clemson 19: Kevin Tisdell returned a kickoff 97 yards in the fourth quarter, setting up a five-yard touchdown run by T.J. Edwards for Georgia Tech (5-0) in Atlanta.

No. 16 Southern Cal 37, Stanford 22: Todd Marinovich threw for 338 yards and three touchdowns and caught a nine-yard scoring pass as USC (5-1) rallied from a nine-point deficit in Stanford, California.

No. 17 Washington 38, No. 19 Oregon 17: Mark Brunell ran for two touchdowns and passed for one as the Huskies (5-1) won in Seattle. Oregon State 35, No. 21 Arizona 21: Reggie Fitchford scored three touchdowns and freshman Duane Jones ran for two in Corvallis, Oregon.



Barney Bussey (No. 27) of the Bengals broke up this first-quarter pass to Haywood Jeffries, but the Oilers had an otherwise easy time, 48-17.

Moon and Oilers Pour It On in a 48-17 Rout; Montana Keys 49ers

Compiled by Our Staff From Dispatches

Warren Moon threw five touchdown passes, including three in a run of 31 straight points, to lead the Oilers to a 48-17 victory of vengeance over Cincinnati in Houston on Sunday.

The Oilers (3-3), 61-7 losers at Cincinnati last December, beat the Bengals (4-2) in the Astrodome for the sixth straight year and moved within one game of Cincinnati's lead in the American Football Conference's Central Division. It was the most points for the Oilers since they beat San Diego 49-33 on Dec. 12, 1971.

Moon, who left with 12:08 to play, completed 21 of 33 passes for 369 yards and now has 20,204 NFL passing yards. He became the first quarterback to surpass 20,000 passing yards in both the NFL and Canadian Football League. He threw for 21,228 yards for the CFL's Edmonton Eskimos.

The Oilers defense intercepted two of Boom-er Eason's passes and turned two of them into points. One week ago, Eason passed for a club-record 471 yards; this time, he was 12 of 21 for 130 yards.

Cincinnati took a 10-7 lead on Craig Taylor's two-yard touchdown run and a 29-yard field goal by Jim Breech before the Oilers started their string of points in the second quarter. The run ended in the third quarter with Houston leading 38-10.

Moon rattled Cincinnati's defense with touchdown passes of 33 yards to Drew Hill and 42 yards to Leonard Harris. Richard Johnson returned an interception 30 yards for a touchdown, and Tony Zendejas kicked a 22-yard field goal for a 31-10 halftime lead.

Both of Moon's second-quarter touchdown passes were at the expense of cornerback Carl Carter.

49ers 45, Falcons 35: Joe Montana passed for 476 yards and six touchdowns, his best in the NFL, and Jerry Rice caught an NFL record-tying five scoring passes as San Francisco won in Atlanta.

The Montana-Rice show enabled the 49ers to extend their league record for consecutive regular-season victories on the road to 13.

Rice had a club record 13 catches for 225 yards, with the touchdown receptions covering 24, 25, 19, 13 and 15 yards.

Saints 25, Browns 24: Steve Walsh, acquired in a trade with Dallas less than three weeks earlier, made his debut in New Orleans by throwing for three touchdowns in three quarters.

Walsh completed 15 of 26 passes for 243 yards, entering the game with 10:49 left in the second quarter after the Browns (2-4) had tied the score at 3.

John Fourcade started for the Saints (2-3) and completed three of five passes for 23 yards

and ran once for five yards. He was benched when the Saints gained just six yards and had to settle for a 52-yard field goal by Morten Andersen after getting field position at the Cleveland 41 on a shanked punt.

Bucs 26, Packers 14: Vinny Testaverde, the NFL's top-rated passer, threw for a season-high 292 yards and Wayne Haddix returned one of Tampa Bay's five interceptions for a touchdown to lead the Buccaneers in Tampa.

Testaverde, whose rating has improved dramatically because of a better touchdown-to-

NFL ROUNUP

interception ratio and the Bucs' revamped rushing attack, had 17 completions in 29 attempts, including a 14-yard scoring throw to Ron Hall that gave him eight touchdowns against only two interceptions in 1990.

The victory before a crowd of 67,472 allowed the Bucs (4-2) to remain unbeaten (4-0) against NFC Central Division rivals, Green Bay (2-4), which had six turnovers, lost for the fourth time in the last five weeks.

Don Majkowski, who's struggled since ending a long contract holdout, threw for 355 yards and one touchdown for the Packers, but the interceptions he threw helped Tampa Bay build a 26-7 lead and thwarted Green Bay's effort to come back.

Chiefs 43, Lions 24: Barry Word, outperforming All-Pro Barry Sanders and Christian Okoye, rushed for a team-record 200 yards and scored two touchdowns as Kansas City won at home.

Word, a free-agent acquisition this year, broke the record of 193 yards by the late Joe Delaney as the Chiefs rolled up 563 yards in total offense and hit their highest point total in more than five years.

Sanders scored on a tackle-breaking 47-yard pass play and a 13-yard run to give Detroit (2-4) a quick 14-3 lead.

But Okoye, whose 1,480 yards edged Sanders by 10 for the 1989 NFL rushing title, made touchdown runs of four and one yards as the Chiefs took command in the second half. Word had a 53-yard touchdown run that gave the Chiefs (4-2) a 36-17 lead late in the fourth quarter.

Chargers 39, Jets 3: Anthony Miller and Marion Butts scored touchdowns during a 20-point second quarter that led San Diego to the rout in East Rutherford, New Jersey.

The Chargers defense, embarrassed last week when it allowed Pittsburgh's first four touchdowns of the season in a 36-14 loss, registered four sacks and kept the Jets from scoring over the final three quarters.

San Diego outgained New York, 412 yards to 148. (AP, UPI)

No. 2 and Counting, Virginia Wins, and Watches and Waits

By Steve Berkowitz

Washington Post Service

CHARLOTTESVILLE, Virginia — Virginia's meteoric rise through the national college football rankings likely is complete.

Saturday afternoon, the second-ranked Cavaliers pulverized North Carolina State and its highly touted defense, 31-0, in an Atlantic Coast Conference game before a sellout crowd of 44,300 at Scott Stadium. The players then took their places in front of the television and watched Michigan State hang on for a 28-27 victory over No. 1-ranked Michigan.

"We have the personnel and the coaches this year to go all the way," said sophomore defensive end Chris Slade, who got 4½ of Virginia's eight sacks and led an effort that allowed the Wolfpack 48 yards rushing.

Asked to be more precise, he said: "You take it from there. But we can do a lot of things if we play the way we are capable of playing."

One of those things was the capability of watching Michigan's game with more than a casual interest.

"Oh, who cares?" said senior quarterback Shawn Moore.

"I might care," junior wide receiver Herman Moore shot back.

Said Slade: "Yeah, I hope they lose. What's to be afraid of? Any time you're ranked, people are going to shoot for you. I look at it as a challenge. For so long, Virginia has had to take its best shot and see if other teams can handle it. Now they get to take their best shots and see if we can handle it."

The Wolfpack entered the game Saturday ranked sixth in the nation in scoring defense and fourth in total defense. But the Cavaliers, ranked first in scoring and total offense, scored on three of their first four possessions. Shawn Moore completed 11 of 18 passes for 194 yards and two touchdowns to Herman Moore, who had six receptions for 162 yards.

"This defeat is very difficult to take because Virginia beat us just about every way you can beat a football team," said Dick Sheridan, the coach whose Wolfpack was allowing averages of 9.7 points, 95.8 rushing yards and 216.5 total yards. "We have not been manhandled like this in a while."

Of course, the ACC has not seen a team like Virginia in a while. The Cavaliers have outscored their first three ACC opponents by 110 points to 7.

Ireland Beats England in Playoff To Win Dunhill Cup Tournament

The Associated Press

ST. ANDREWS, Scotland — David Feherty made the best of a second chance on the 17th hole Sunday, beating Howard Clark in a three-hole sudden-death playoff to win Ireland a 3½-2½ victory over England for the title in the \$1 million Dunhill Cup golf tournament.

Feherty, the Irish captain, had blown a one-stroke lead when he missed a three-foot (one-meter) putt on the notoriously difficult 17th of the Old Course in his match against Clark, the last in the 36-hole medal-match play final series.

Back at the 17th for the first sudden-death championship in the tournament's six years, Feherty hit the green on his second shot and two-putted from 25 feet for the victory. Clark was far to the left and took a bogey 5.

Each got a par-4 at the first and second holes of the playoff.

Ireland, the 1988 champion, be-

came the first two-time winner of the cup since Australia won the first two tournaments in 1985-86.

The Japanese, who lost to England on Saturday, called Sunday for a switch in the scoring system. A statement from the Japanese captain, Hajime Meshiai, said his team "lost the game with the rule of the game, but we believe we did not lose the match" against England.

The medal-match play system used at the Dunhill Cup pits three pairs of golfers in 18-hole competition, with each match worth one point. Japan won one of the matches and tied the others, and the Japanese thought they had won, 2-1.

But tournament rules say that, when two or more matches end in ties, they all must be played off. England won both of the tied matches in sudden-death playoffs.

■ Langer Wins in Austria

Bernhard Langer birdied the

third playoff hole Sunday to defeat Lanny Wadkins in the Austrian Open. Reuters reported from Salzburg.

Langer led the tournament by four strokes at the halfway point, but shot par 73 on Saturday while Wadkins was carding 68. They were tied going into the final round, and each shot 68 Sunday to end regulation at 17-under 271.

Wadkins overshot the green with his approach on the third playoff hole, opening the way for Langer.

■ Bob Twyot shot a 7-under-par 65 Saturday to take a three-stroke lead over Mark O'Meara after three rounds of the PGA Las Vegas Invitational.

■ In Cely-en-Biere, France, American Cathy Genting closed with a 71 for a 10-under total of 278 and a one-shot victory in the World Championship of Women's Golf.

SIDELINES

Sorensen Wins, LeMond Done in '90

TOURS, France (AP) — Rolf Sorensen of Denmark won the Paris-Tours 283.5-kilometer (176-mile) cycling race Sunday, outspringing Phil Anderson of Australia and Maurizio Fondriest of Italy to the finish.

Andreas Kappas of Germany was fourth, with Kim Andersen of Denmark fifth in the next-to-last stage of the World Cup cycling series. The Tour of Lombardy, next week in Italy, is the final regular season race; the World Cup finale is a time trial on Oct. 27 at Lunel, France.

Greg LeMond, the Tour de France winner, will not race again this season, an official of his French Z team said earlier Sunday.

"Greg is not in any state to race Paris-Tours and win," said Serge Beucher, assistant director of the Z team. "He has a fever and, even if it isn't serious, he's not in shape."

Knicks Win McDonald's Open Title

BARCELONA (AP) — In a possible preview of the 1992 Olympics, Patrick Ewing of the National Basketball Association's New York Knicks outlasted Yugoslav superstar Toni Kukoc in the McDonald's Open final. Ewing got 23 points and 13 rebounds Saturday as the Knicks defeated European champion POP 84 Split of Yugoslavia, 117-101. The 6-foot-10, 105-pound (235-pound) Kukoc got 18 points and eight rebounds. The 7-foot Ewing blocked two of Kukoc's shots. Kukoc blocked one by Ewing.

"Right now I'd say I'll be back" with the U.S. team, "but 1992 is still a long way away," Ewing said. "We'll see what happens when '92 comes."

Koreas Agree on One Olympic Team

SEOUL (AP) — North and South Korea have agreed in principle to field a single Olympic team for the 1992 Games in Barcelona and for such other international sports events as the World Table Tennis Championships and the Winter Asian Games.

The announcement was made Saturday as South Korea's men and women's soccer teams returned from the first inter-Korea sports exchange since the peninsula was divided in 1945.

Colts Sign Dickerson to 4-Year Pact

INDIANAPOLIS (AP) — Eric Dickerson has signed a four-year contract extension with the Indianapolis Colts. The team's general manager, Jim Irsay, said the star running back will take a physical examination Monday and is expected to play against Denver on Oct. 21.

No financial terms were announced. Dickerson was to receive \$1.45 million in 1990, the last year of his contract. But he stands to lose more than \$600,000 after being placed on the non-football injury list and suspended for four weeks for conduct detrimental to the team.

For the Record

Jean-Pierre Papis scored two second-half goals Saturday night as France beat Czechoslovakia, 2-1, to take the lead in Group One of 1992 European Championship qualifying.

Striker Andrea Carnevale and goalkeeper Angelo Peruzzi of AS Roma were suspended Saturday for one year by the Italian soccer federation for using a banned drug, fentermine. The club was fined \$136,000.

Amedeo Carboni of AS Roma has been barred by UEFA for five European Cup matches for attacking a player with the Lisbon club Benfica. Gama da Silva Donato of Atletico Madrid and Janne Lundqvist of GAIS Goteborg were each suspended four matches for the same offense.

Ingvor Stadheim has quit as coach of the Norwegian soccer team following criticism of its play during a 0-0 tie with Hungary.

Azumah Nelson of Ghana retained his World Boxing Council super featherweight title Saturday night with a unanimous 12-round decision in Sydney over former champion Juan LaPorte of Puerto Rico.

Lendl Eases Past Becker In Three Sets

The Associated Press

TOKYO — Ivan Lendl finished off Boris Becker with two passing shots in a tiebreaker in the final set Sunday to win the \$1 million Seiko Super tennis tournament.

Lendl won, 4-6, 6-3, 7-6 (7-5), in a match delayed for an hour as police looked for a bomb after a telephoned warning. None was found. The players were told of the call, but the 7,350 spectators were not.

Among them was U.S. Ambassador Michael H. Armitage.

"It happens sometimes," said Lendl. "It did not affect my game."

"At the end it's one point and it depends a bit on luck. I know I am on the right track the way I'm playing. It's almost the best I've played in a long time."

Lendl said, "This is the first time in about 10 years that I have beaten the top two players in the world back to back."

Actually, Lendl has held the No. 1 ranking most of the time since 1983. He is trying to climb back from No. 3, behind Sweden's Stefan Edberg, whom he beat in the semifinals, and Becker.

Edberg said he lost concentration in his 7-5, 6-3 loss to Lendl.

Sunday, Lendl started erratically and was broken in the third game



Lendl, No. 3 in the world, was delighted to beat No. 2, Becker.

after two deuces. Becker broke again in the fifth game, but Lendl broke back in the eighth.

Lendl broke serve on his first chance in the second set. At 5-5 and 40-0 in the third, Becker let Lendl back into the game for three deuces.

The tiebreaker also went to 5-5. Lendl ended it with a forehand passing shot then a backhand pass.

It was Lendl's ninth victory against eight defeats against Becker.

■ Graf Overpowers Sabatini

ZURICH — Top seed Steffi Graf defeated Gabriela Sabatini, 6-

3, 6-2, Sunday to win her fourth title at the European Indoor.

The lopsided match helped Graf make up for Sabatini's victory in the U.S. Open final five weeks ago.

Graf, apparently recovered from a virus, used her powerful forehand to keep Sabatini at bay.

Sabatini played less than 24 hours after a grueling 6-7 (5-7), 7-5, 7-6 (7-4) semifinal against Czechoslovakia's Jana Novotna.

Graf had an easier semifinal, struggling early then cruising to a 6-7 (5-7), 6-2, 6-3 victory over Manuela Maleeva-Fragniere of Switzerland.

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